

With Our Readers

Sirs:

Evidently, although we may call it a New Deal, some parts of it are not so new. President William Henry Harrison, in his inaugural address, said:

"This is the old trick of those who would usurp the government of their country. In the name of democracy they speak, urging the people against the influence of wealth and the danger of aristocracy. History, ancient and modern, is full of such examples. Caesar became the master of the Roman people and the Senate under the pretense of supporting the democratic claims of the former against the aristocracy of the latter. Cromwell, in the character of the protector of the liberties of the people, became the dictator of England and Bolivar possessed himself of unlimited power with the title of his country's liberator."

It may be that the originators of the "soak the rich" tax proposals would deny such motives, but it would be hard to deny that it is an old trick just the same. If we are to have a new deal why not think up something really new? As to "human rights" and "social justice," the words of President Andrew Jackson, in his farewell address are, at least, interesting. He said:

"Motive of philanthropy may be assigned for this unwarrantable interference, and weak men may persuade themselves, for a moment, that they are laboring in the cause of humanity and asserting the rights of the human race; but everyone, under sober reflection, will see that nothing but mischief can come from these improper assaults upon the rights and feelings of others. Rest assured that men found busy in this work of discord, are not worthy of your confidence and deserve your strongest reprobation."

Some of us wonder, occasionally, if "men found busy in the work of discord" will have the nation's confidence in 1936.

And those who are inclined to agree more with the earlier presidents and not with President Roosevelt, and to say so, may get some comfort from the words of President Andrew Jackson, who, in speaking of the president, said:

"Subject only to the restraints of truth and justice, the free people of the United States have the undoubted right, as individuals, or collectively, orally or in writing, at such times and in such language and forms as they may

think proper, to discuss his official conduct and to express and promulgate their opinions concerning it."

Hop to it, you "tories," you "over-privileged," you "high and mighty," you "money changers," you "chiselers," "liars," and all you who think that George Washington may have known more about good government than some radical professors of this day.—R. D., Parkersburg, W. Va.

Sirs:

I hear a lot of ballyhoo about revival in residential construction, but the big percentage gains over a year ago don't seem to mean much when you look the realities in the face. It's like a once rich man getting down to his last dollar and then somebody gives him another dollar—whereupon he has doubled his money; but he is still in a pretty bad way. So is construction, and it's a good bet that there is not going to be any boom. In my opinion, you won't see much building because costs and taxes are too high. It is cheaper to rent than to buy a house.—R. K., Nashville, Tenn.

It is true that present gains in residential construction are small in relation to the normal volume in good times, but the trend is nevertheless hopeful and significant. Very likely full recovery will prove a matter of years, but in the complexity of the various factors influencing real estate and building a gradual recuperation is all that anyone could ask. As for taxes, in most localities real estate imposts seem to have stabilized and the tendency is to search elsewhere—notably in sales taxes—for any additional needed revenues. Rents have already risen an average of about 10 per cent from the bottom of 1932-1933 and the rising trend is favorable to new construction. Building costs at least are not rising, while the national income is. Moreover, the technological progress now being made in materials and methods will inevitably tend either to reduce costs or provide more attractive values, either result tending to stimulate the market. Finally, most individuals do not figure a home in the same way they would figure an investment. Pride of possession weighs heavily in the equation. Assuming one has or can borrow the money with which to build

a home, it is to be doubted that a variation of 10 to 20 per cent in cost either way would be the determining factor.—Ed.

Sirs:

Why don't you stick to your own field of business and finance and cut out the politics? I do not think it is the function of a financial and business publication to fill its pages with political news and comment. As a reader of your magazine, I want information and your opinion on business and industries and particular companies. I am not interested in what you think about politics.—H. K. G., Utica, N. Y.

We would like very much to be able to confine our endeavors to business and finance, but the fact is that governmental policy and action today influence business and financial trends more broadly and more directly than ever before. Two branches of our Federal Government devised the N R A and a third branch killed it. As an unprecedented effort to regulate the greater part of business and industry — involving wages, hours, costs, prices and production control—it would be absurd to hold that comment upon it is outside the province of a business and financial publication. The A A A is a political conception, but it and the processing taxes vitally affect hundreds of companies in various major industries, notably food processors, textiles and tobaccos. How could one intelligently discuss the public utility industry without consideration of T V A and all other aspects of the Administration's power program? How could one discuss either the business or financial outlook without close study and comment on the Roosevelt spending policy, the mounting Federal deficit, the monetary policy, the pending tax bill and the pending banking bill? How could one discuss the outlook for real estate and construction without considering the H O L C and the Federal Housing Administration? Indeed, it is difficult to think of any major piece of Federal legislation since March, 1933, which has not been of great concern to business. Whether one likes it or not, business and politics have been Siamese twins for some time. As long as this is the fact, we do not see how they can be journalistically divorced.—Ed.

What's Ahead for Your Investments?

These are changing times.

Every issue of The Magazine of Wall Street sees many far-reaching developments in the worlds of business, economics, politics—foresees their effects on investments.

It is The Magazine of Wall Street's task to foresee these developments — to interpret them so the thousands of businessmen-investors who are its readers may plot their investment course intelligently, leisurely.

It Can Help You—

Take advantage of the special "short-term" trial subscription offer described below.

See how the regular reading of The Magazine of Wall Street can give you a clear picture of business and security trends, weeks and often months before the usual news channels.

It can keep you posted on your present investments—point out new opportunities. And, as one investor wrote: "Even if I had no investments to make, and keep track of, I would want The Magazine of Wall Street. It is as broadening as a college course, and perpetually renews one's contact with the worlds of industry and economics."

Accept This Offer Now!

Be sure to receive the important issues scheduled for the months ahead. Every issue will contain timely information of real dollars-and-cents value to you.

The MAGAZINE of WALL STREET

90 Broad St., New York, N. Y.

☐ I enclose \$1.00. Send me the four issues of The Magazine of Wall Street beginning with your next issue.

☐ If you would like to have this special offer cover eight issues instead of four, check here and enclose \$2.00.

Name

Address

City State

B-17-ST

Member of Audit Bureau of Circulations

CONTENTS

Vol. 56 No. 9

August 17, 1935

The Ticker Publishing Co. is affiliated by common ownership with the Investment Management Service and with no other organization or institution whatever. The Ticker Publishing Co. publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly, and the Investment and Business Forecast, issued weekly. Neither The Ticker Publishing Co. nor The Magazine of Wall Street nor the service affiliated with them have anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

THE TREND OF EVENTS.....	425
The Stock Market for the Next Fortnight, By A. T. Miller.....	427
Will Labor Stem the Tide of Recovery? By Daniel Cronin McCarthy	429
Happening in Washington. By E. K. T.	432
New Trends in Investment Thought. By George W. Mathis.....	434
My Experience With the Securities Act. Guest Editorial by A. E. Duncan	435
The Threat of Credit Inflation in Recovery. Part II. By Theodore M. Knappen	436
Reserve Banks Offer \$280,000,000 to Industry. By W. H. Pouch.....	438
Significant Foreign Events. By George Berkalew.....	439
High Grade Bonds Bumping Ceiling. By J. S. Williams.....	440
SEMI-ANNUAL DIVIDEND FORECAST. Part II:	
Steel	441
Metals	442
Chemicals	444
Building	445
Food	446
Sugar	447
Tobacco	447
FOR PROFIT AND INCOME	448
General Motors. By Laurence Stern.....	450
Low-Priced Stocks Undervalued on Earnings and Prospects:	
Douglas Aircraft Co.	452
Ferro Enamel Corp.	452
Reynolds Spring Co.	453
Distillers Corp.—Seagrams, Ltd.	453
Beneficial Industrial Loan Corp.	453
Opportunities in Preferred Stocks	454
TAKING THE PULSE OF BUSINESS.....	455
The Magazine of Wall Street's Indicators. Business Indexes. Common Stock Price Index	457
ANSWERS TO INQUIRIES	458
New York Stock Exchange Price Range of Active Stocks.....	460
New York Curb Exchange	466
Market Statistics	468

Copyright and published by The Ticker Publishing Co., Inc., 90 Broad St., New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. Ralph J. Schoonmaker, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—\$7.50 a year in advance. Foreign \$8.50. Canadian \$8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C., 4, England.

Cable Address—Tickerpub.



WITH THE EDITORS



When Are Stocks Too High?

THE advance of the market in recent months has now reached the point at which the statisticians sharpen their pencils and begin to figure whether stocks, or at least some of them, are or are not too high in relation to earnings. This is a fascinating pastime, but compared to its niceties and complexities we have come to believe that par golf and expert contract bridge are child's play.

However, let's do some figuring. Take a look at present business conditions and then compare them with conditions in 1924 and 1925, when things were humming and the greatest bull market of all time was swinging into action. For simplicity, take just two indexes: construction and car loadings. Building contracts in the first half of 1925 were 295 per cent greater than in the first half of 1935. Car loadings for that period were 60 per cent above the figure for the first half of this year. In short, business was much better then than now.

Next, examine ten leading stocks—American Can, Air Reduction, Ameri-

can Telephone, duPont, Eastman Kodak, General Electric, General Motors, Sears, Roebuck, Standard Oil of New Jersey and Union Carbide. From the low point in this year's "investment" market this group has advanced about 40 per cent. In the first seven months of the "speculation" of 1925 it advanced 27 per cent.

Boiling the ten down to one composite equity, we find its high during the first half of 1925 was about 91, which was 13.3 times the composite per share earnings reported for the year 1924, with the big earnings of the boom yet to come. On the same ratio of 1934 earnings, this stock today would be selling at about 48. Instead, we find it priced at about 90. Thus, it is nearly twice as high in relation to 1934 earnings as it was at its 1925 high in relation to 1924 earnings.

Well, then, the darn thing must certainly be too high, mustn't it? After thinking it over, we stand on our constitutional right to answer neither yes nor no. If we took the affirmative, we would know in advance the refutation

that would immediately come pouring in by first mail. One bull would say—with much logic—that price-earnings ratios were much too low in 1925, as was practically demonstrated during the following four years. Another would argue—and we could not prove him wrong—that current prices are discounting not 1934 depression earnings but the probable earnings in a future normal recovery. Yet another would inform us that corporate earning power is entitled to a much higher capitalization than in 1925 because of the present record low money rates, as indicated by the fact that long term Government bonds now sell on a 2.70 per cent yield basis, against 3.60 in 1925 and 1929.

We said it was a fascinating pastime—this puzzle whether the investors of the New Deal are more cock-eyed than the speculators of the New Era. We'll rest the case with the sober conclusion of the particular statistician who did the above figuring for us, which is:

"Stocks are neither high nor low,
'Tis only thinking makes them so."

In the Next Issue

Mid-Year Dividend Forecast

Covering Leading Companies in Important Industries

Part III

Merchandising, Oils, Amusements, Aviation, Public Utilities

Note: Part I appeared in the issue of August 3 and Part II is in the current issue.

Recovery Without Interference

By JOHN D. C. WELDON

Opportunities in Extra Dividend Payers

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Apply These Tested Methods—Now!

Profit by new business and market trends

Here, we believe, is one of the most valuable and useful works on investment we have ever published. Its principles, used in conjunction with the regular reading of The Magazine of Wall Street, can prove of dollars-and-sense value to every investor—every trader.

"What to Consider When Buying Securities Today" is not dry theory, but a clear, simple exposition based on those principles advocated by The Magazine of Wall Street for success in investing.

What to Consider When Buying Securities Today

By A. T. Miller

The Magazine of Wall Street's
Technical Market Authority

Beginning with a practical discussion of the pros and cons of practical economics, the author of The Magazine of Wall Street's Fortnightly Market Forecast comprehensively, yet simply, covers every phase of investment technique required under today's conditions.

He discusses the advantages and disadvantages of various types of securities—the factors to be considered to profit by opportunities in bonds, preferred and common stocks. Every possible eventuality is considered—as well as valuable pointers in detecting buying, selling and switching signals.

Truly, this is a workable and easily understandable text, explaining a profitable subject so that you can readily understand and apply its methods to your individual needs.

Free With Yearly Subscriptions

This book is not for sale. It was prepared for The Magazine of Wall Street subscribers—was offered with yearly subscriptions. We have but a limited quantity now available, so urge you to act at once. If you did not receive it as a subscriber, "What to Consider When Buying Securities Today" will be sent with a one year's renewal.

Other Privileges You Enjoy As a Yearly Subscriber

Yearly subscribers also enjoy the consultation privileges of a Confidential Inquiry Service. No other organization has the facilities to duplicate this co-operation—the only stipulation is that inquiries be limited to not more than three listed stocks or bonds at a time in order to facilitate replies. This enables you to personalize the work of The Magazine of Wall Street in accordance with your particular requirements—and, as in the case of many new subscribers holding securities about which they know but little, this department might quickly make or save you hundreds or thousands of dollars.

Mail This Coupon Today

The Magazine of Wall Street
90 Broad Street, New York, New York

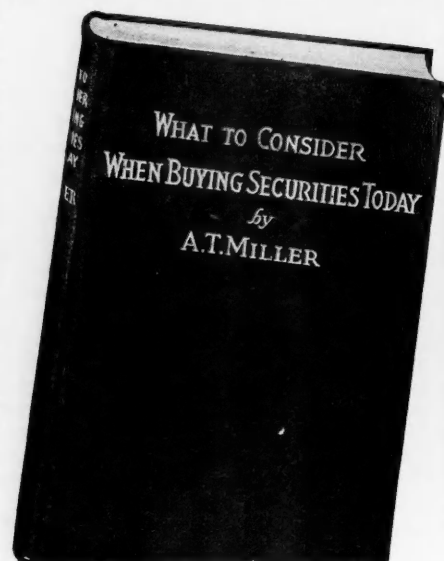
Enclosed find my remittance of \$7.50 for which enter subscription to THE MAGAZINE OF WALL STREET for one year (26 issues) beginning with your August 31st issue. This entitles me to receive a copy of "What to Consider When Buying Securities Today," free, and gives me the full privileges of your Personal Inquiry Service.

Name _____

Address _____

City and State _____

8-17-M



1. A SOUND BASIS FOR CURRENT INVESTMENT

- Practical dynamic business economics.
- The consequences pro and con of currency and credit inflation.
- Investment opportunities born of the business depression.

2. THE BASIS FOR COMMON STOCK SELECTION UNDER PRESENT CONDITIONS

- Simple methods essential to successful investing.

3. HOW TO GAUGE SPECULATIVE AND INVESTMENT OPPORTUNITIES IN BONDS

- What constitutes safety of principal.
- Selecting bonds from the low-priced list.
- Judging foreign bond values.
- When to look for profits through receiverships.
- Opportunities in railroad bonds.
- Detecting the real opportunities for profit in bonds.

4. A SIMPLE EXPLANATION OF HOW TO READ AND PROFIT BY FINANCIAL STATEMENTS

- How to judge a company's strength.
- How important is book value today.

5. WHAT YOU MUST KNOW ABOUT THE TECHNICAL POSITION

- Quick or long range profits.
- The various long and near-term movements of securities.

6. WHY A STUDY OF GROUP MOVEMENTS IS ESSENTIAL TO SUCCESSFUL INVESTING

7. BASIC PRINCIPLES FOR DETERMINING INDIVIDUAL PROFIT POSSIBILITIES IN 12 LEADING GROUPS

- Merchandising Stocks —Tobacco —Tires
- The Steel Group —Railroads —Accessories
- The Petroleum Group —Automobiles —Sugar
- Non Ferrous Metals —Public Utilities —Leather

8. THE ADVANTAGES AND DISADVANTAGES OF INVESTMENT TRUSTS

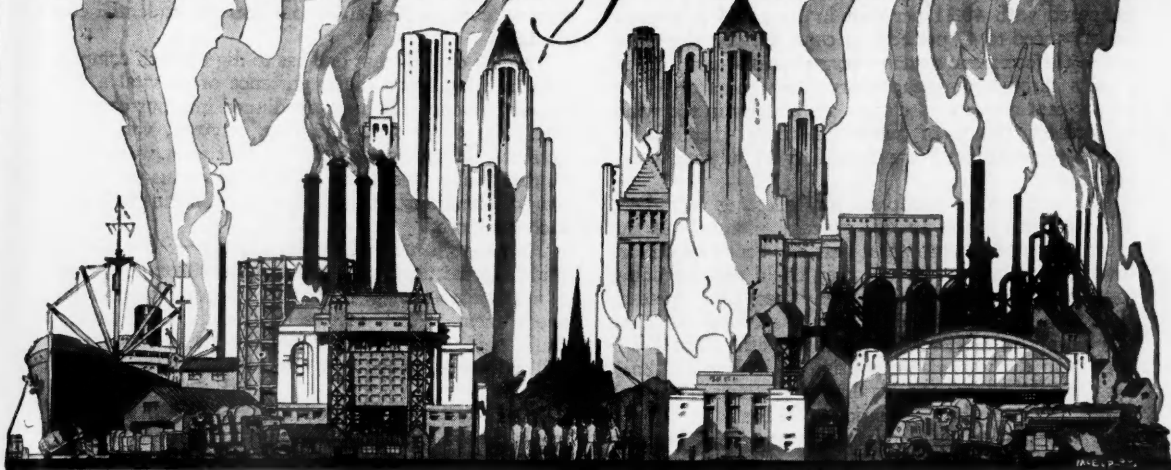
- Rules to apply in selecting Investment Trusts.

A Valuable Privilege Personal Service Department

Your subscription gives you the privilege of writing or wiring for personal opinions by our experts on listed stocks or bonds (as many as three each time and as often as you wish).

Shares	Stock	Price Paid

The MAGAZINE of WALL STREET



E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

TAX EXEMPTS

IT is "clearly interesting," says President Roosevelt, that "the fifty-eight thrickest people in the United States"—those with incomes of a million dollars or more in 1932—paid no income tax whatever on 37 per cent of their income, that proportion having been derived from Federal, state and municipal tax-exempt securities.

Maybe it is interesting to Mr. Roosevelt, but in that part of the public mind which is sufficiently intelligent to see through the shoddy politics of the present "soak the rich" campaign the only question that it provokes is: What of it?

Is a wealthy individual to have sneering inferences of tax evasion thrown at him because he legally and properly avails himself of a privilege deliberately and purposely extended to him by government?

The rich did not write that provision of the Constitution which forbids the Federal Government to tax the income from bonds issued by states and municipalities. The rich did not induce the Federal Government to adopt the policy of tax exemption on its own issues of bonds. That was the Government's own idea, and there was a "clearly interesting" reason behind it: namely, that the Government desired to make its bonds attractive to the thrifty and to borrow funds at low interest rates.

This privilege voluntarily extended by the Govern-

ment has induced many wealthy investors to buy Federal bonds at low yield. In accepting a low return from the Government and in foregoing the higher return from taxable securities these individuals have in effect paid a very considerable income tax. No Administration has issued a larger total of tax-exempt obligations than the present one, including the recent "baby bonds" urged upon the "thrifty" public. On its own enormous borrowings it can at any time stop selling tax-exempts—without Constitutional amendment—if it is willing to pay higher interest. One can only conclude that seldom has so puny a molehill been distorted into a political mountain.

BUSINESS RENEWS THE ADVANCE

WE believe that most people, weary of Congress and "must" legislation to make over the country, will rejoice as they watch business step more and more boldly into the spotlight so long monopolized by politics. The evidence is now virtually conclusive that general business activity reached bottom for the year early in July—a bottom far above that of the 1934 recession—and that a renewed period of recovery is strongly under way.

As regards production, steel operations alone are

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Seven Years of Service"—1935

sufficient to tell the story. The industry operated at an average of 39.44 per cent of capacity in July, as compared with 40.31 per cent in June and at present has advanced to 47 per cent of capacity. At the other end of the economic system—consumption—retail trade reports throughout the country show gains of 10 to 25 per cent above a year ago. As a straw in the wind on present trends of wholesale trade, merchandise buyers registered in New York City in July set a six-year high.

May one not be pardoned for reflecting that there is an ironical aspect to this cheerful picture? If the New Dealers during the past year had bent every effort toward stimulating recovery they could now be doing some loud crowing with none to say them nay. Instead, they have almost dared business to recover and have thrown obstacle after obstacle in its path. The President is in the unenviable position of having had business promptly confound his dire predictions of the evil consequences of the termination of N R A.

It may be that by election time next year, business will be so good that the Administration can not fail to reap the benefit in terms of votes, yet the circumstances of this year's advance are such as to strengthen the honest conviction of a great many people that it has come in spite of the New Deal and not because of it.

PUBLIC ENEMY

THE General Motors Corp. is guilty of making money and, moreover, it has the consummate gall to double its dividend rate. In these Alice in Wonderland days this reprehensible conduct should call for three Bronx cheers and a chorus of cat calls and boos, for the President of the United States tells us that corporate bigness is anti-social and potentially dangerous. None can deny that General Motors is big.

Nevertheless we hazard the opinion that the vast majority of the American people are not in the least concerned over the bigness of this enterprise or of other corporations whose bigness in a highly competitive economic system is, *per se*, proof of efficiency. The \$2 annual dividend rate of General Motors will call for the distribution of approximately \$85,341,000 a year to more than 350,000 shareholders.

To make that much profit in a year this company will pay wages of around \$300,000,000 to 200,000 or more employees, not to mention the far bigger sum spent for materials and the vast indirect employment it represents. Its products will satisfy considerably more than 1,000,000 customers a year. Finally, in direct income taxes alone it will enrich the Federal Government's coffers by at least \$16,000,000 to \$18,000,000.

Is there any basis for complaint? We think not. Instead, congratulations and good wishes are in order.

REVIVAL IN WORLD TRADE

THIS country's two-way foreign trade—exports and imports—amounts to more than the retail value of all the automobiles

that will be produced in the United States this year. It amounts to more, even at present depressed levels, than we ever spent in any boom year on residential construction.

Yet it is curious that one has to dig up such comparisons to bring home the importance of so vital a part of our economy. It has been dinned into our ears that foreign trade is dead and that, anyway, we do not need it. It has been reiterated that in a world gone nationistically mad there is nothing for us to do but live in splendid isolation. One almost begins to believe such nonsense.

And that is why the cold statistics of our foreign trade for the fiscal year ended June 30 strike the eye as a surprise—though really there is nothing surprising about them. As a matter of fact this international traffic never stopped at the worst of the depression nor fell as low as more than one of our major domestic industries.

In the year we shipped \$2,120,726,000 worth of goods abroad, while our imports of goods amounted to \$1,785,772,000—a two-way trade turnover of \$3,906,498,000. While we gloat over the recovery in automobiles and long for a faster recuperation in building, we might well pause and salute Secretary of State Cordell Hull who, through all the hullabaloo of the times, stands firm on his faith that the straightest road to recovery is the revival of world commerce.

HIGHER FARM PURCHASING POWER

ALTHOUGH it is disquieting to know that our imports of foodstuffs are on the increase, it is nevertheless gratifying to know that the purchasing power of our own farmers has greatly improved and that the immediate outlook is favorable. In some of the wheat regions wheat rust is heavy, nevertheless the crop will be much greater than last year and this, together with the recent boost which has carried A A A benefit payments to farmers who agree to curtail up to 33 cents a bushel, spells an improvement in farm purchasing power. Pork prices have recently reached record heights but the scarcity of hogs on the farms prevents many farmers from benefiting as much as might be expected. However, with the outlook for corn much better than last year, there will again be feed and later a more normal supply of pork. The Government's cotton crop figures indicating total production of 11,798,000 bales was much larger than generally expected and the market declined sharply on the estimate. Secretary Wallace, however, stated "If, when the new crop begins to move in volume, there appears to be a tendency for prices to be depressed, the Administration will not hesitate to offer ample loans that will immediately absorb excess supplies." Thus, despite the highly obscure longer term outlook, it would seem that the cotton farmer need not fear any sharp break in prices, at any rate this year. Substantial farm purchasing power is an asset to business generally; it is to everyone's advantage that the farmer be reasonably prosperous. The only pity is that his prosperity today is so largely artificial.

Monday, August 12, 1935.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Seven Years of Service"—1935

The Stock Market for the Next Fortnight

Strong Technical Position and Favorable Earnings Reports Hide Speculative Hazards

By A. T. MILLER

MIXED, hesitant and perhaps a bit tired in some spots about describes the performance of the stock market over a fortnight in which the price "averages" have made no gain on the heaviest volume of trading in any two-week period since the movement began last March.

A sharp spurt in utilities, apparently reflecting speculative opportunism in favorably interpreting a continued Senate-House statement on the holding company legislation, failed to generate any general market enthusiasm and quickly lost its steam. The unexpected good news represented by the doubling of the General Motors dividend rate merely lifted that particular issue to a new high and left the rest of the market cold.

On the other hand the cropping out here and there of isolated instances of pronounced weakness, reflecting an occasional unfavorable earnings report or special liquidation otherwise motivated, has failed to shake the general price structure. Undoubtedly considerable profit-taking has been encountered in various issues, as is not surprising after such an advance as has been seen in recent months. No doubt there has also been a moderate increase in short-selling, although the total short interest is perennially small under present conditions. But the price movement for this fortnight has been confined to a narrow range and recessions within that range have thus far produced no increase in volume whatever. On the contrary, as this is written, doubt and hesitation appear to be finding reflection in a tendency toward declining activity.

In short we have another period of congestion which, for the speculator, presents again the same technical problem which we discussed previously in these pages—that is, that

the intermediate advance has lasted nearly five months, or an unusually long time, without more than minor reaction; but that, on the other hand, this season of autumn hope is not appropriate for more than minor reaction.

Throughout the long advance, with the single exception of a brisk, but brief, reaction following the termination of N R A by the Supreme Court, the market has been able to consolidate its technical position by sliding irregularly along a horizontal trading shelf much in the fashion of the past fortnight, and after each such pause has proved able to extend the general advance, at least as regards favored industrials. It must be conceded, however, on the side of caution that the recent congestion has been accompanied by a substantially larger average volume of trading than was seen in previous similar periods. Moreover, sporadic

interest here and there in low-price equities—usual hint of increasing "small fry" speculation—does not strengthen the picture.

These are minor straws in the wind, by no means conclusive. It is entirely conceivable that such doubts as they reflect may be promptly washed out by renewed advance. A market volume averaging considerably less than 2,000,000 shares a day can hardly suggest any dangerous expansion in speculation on the part of the general public. Nor can any reason for fear of a speculative debacle be found in the trend of brokers' loans, which actually declined on the most recent month of advance and are the lowest in two years. Indeed, it is worth noting that the market value of all listed stocks has increased by more than \$8,000,000,000 in a year, while the collateral borrowings of Stock Exchange members during the same time declined by \$155,000,000.

In the light of these figures it would appear that any



Gen reau Photo

New York Stock Exchange

such speculative upset as occurred in July, 1933, is virtually out of the question, but the apparent strength of the margin position certainly does not preclude a less spectacular reaction at any time and one worth avoiding. Probably the most vulnerable aspect of the market is merely the availability of handsome profits in many accounts. Those profits can not be pyramided under today's rules of the game, and hence one source of ammunition with which the speculative pot used to be kept boiling in a rising market is now absent. The human tendency is to let a profit ride as long as the market "looks good." But the market will look less "good" in the event that the recent trading range is not soon broken by renewed advance; and if it should at any time in the near future look less "good" to any substantial number of individuals desirous of conserving paper profits one could readily imagine a sudden increase in the pressure of profit-taking.

Test of Autumn Hopes?

While there is, of course, no reason whatever to disturb common stock investments held for the pull, we advise for the present that new purchases, either for speculation or investment, be deferred until more attractive buying levels present themselves or an otherwise convincing foundation for renewed optimism is established.

In taking this position we are influenced only partly by the immediate technical indications, which, as stated above, are not conclusive either way. Our thought is that even if the last fortnight of August should witness a further market spurt, we are nevertheless very close to Labor Day, after which it would be logical to expect the market to begin to take a closer look at the autumn business recovery it has been discounting for so many weeks.

We believe the autumn business developments will be favorable, possibly quite as favorable as the market is expecting—but that is not enough to signal full steam ahead for speculation. The market having gone up greatly on the belief that business would be good this autumn, it would seem asking a large order that it should go up some more on finding out precisely what it expected to find out.

The Fall Prospect

Of course, there is to be taken into account the possible surprise that business may prove much better than has been expected, in which event new enthusiasm would have a valid basis. We must also take into account the possibility of a "snow-balling" increase in public optimism as to the inevitability of a cumulative business recovery overshadowing political uncertainties and of such fundamental long-pull significance as to outweigh mere seasonal considerations.

Even so, the part of prudence is to anticipate some sort of a test of the market after Labor Day, if not before, whether that test result in reaction or merely an interlude of watchful waiting. Either way, it should provide perspective worth having.

Meanwhile the high light in the business picture continues to be the unseasonal recovery in steel. For the fifth consecutive week, the operating rate has been stepped up and it now stands at 47 per cent of capacity. The advance apparently rests upon a marked growth in miscellaneous

demand and steady recuperation in capital goods, together with sustained demand for tin plate, automobile steel and other lighter steels. Scrap prices, usually sensitive barometer of the steel trend, remain buoyant.

Steel Operations Worth Watching

A leading steel authority makes the exceedingly interesting observation that makers of machinery and equipment are now more active buyers of steel than producers of refrigerators, stoves, light household equipment and other consumer goods. This is the first time in five years such a relationship has existed. It leads the same authority to assert that belief is becoming widespread in the industry "that the current recovery in steel output is distinct from the abortive rebounds of previous depression years and really represents the beginning of a long pull out of hard times."

If so, developments in the steel industry will be well worth watching during the next several months. In the immediate setting, however, the chances are that the gains of recent weeks will prove to have been too fast and that the pace can not be continued. Any leveling off during the next few weeks is expected to be followed by renewed advance in September and October. Nevertheless, at least for the present, steel stocks also have leveled off, moderately under recent best prices.

Next to steel, business interest centers in reports of astonishingly good retail trade throughout the country, with gains over the totals of a year ago ranging from 8 to 35 per cent. The biggest advances, as heretofore, are in agricultural areas and reflect improved farm purchasing power. Seventeen chain store

concerns which have thus far issued their July reports show an aggregate gain of 15.4 per cent over July, 1934, whereas the gain in June was only 9.5 per cent over a year ago.

This comparison is slightly distorted by the fact that July had one more shopping day than in 1934, while June had one business day less than in the preceding year. Nevertheless there are clear indications that a pronounced recovery in sales got under way in mid-June and that it is continuing.

For some merchandizing companies the sales gain for the half year has been sufficient to offset previously unfavorable profit margins. Sears, Roebuck, for example, shows for the half-year a gain of 33 per cent in net profit on a sales gain of about 27 per cent. On the other hand, J. C. Penney experienced a decline of 15.3 per cent in net for the half-year on a sales gain of 3.3 per cent.

July and August trade gains over a year ago, however, show indications of running considerably ahead of the average gain of the first half of this year and this should materially improve profit margins generally. It is on this reasoning that most stocks in the merchandizing group have been pushed up to new highs for the year, after lagging for many weeks in the market advance from last March.

Reflecting continued excellent retail demand for automobiles, motor and accessory shares remain in strong demand, with some at new highs. Despite the wide advance that most have experienced in recent months, it

(Please turn to page 468)

Will Labor Stem the Tide of Recovery?

New Deal Coddling May Destroy Labor Unions—On the Other Hand, Wagner Law May Be the Salvation of Company Unions

By DANIEL CRONIN MCCARTHY

(EDITOR'S NOTE: Daniel Cronin McCarthy is the pen name of a nationally known authority on organized labor.)

WHETHER one likes it or not the labor unions are here, and here to stay and must be reckoned with in any discussion of recovery, the only question being to what extent they may foster or check the long desired upward spiral of business.

Of necessity union leaders are opportunists. The answer to the question, therefore, is that they can be depended upon to exact their full share of any prosperity that may come; with the peak of their demands depending on the industry, and the strength and age of the organization.

The older organizations will demand less, comparatively speaking, than the younger, and they will have fewer strikes—for the very good reason that they have as a rule maintained their "official" scales, have fewer grievances and are better disciplined than the newly organized.

I say "official" scales, meaning by that the agreed, or union, rates which have stood up remarkably well. Indeed, when the time comes to write the history of this depression, the historian will well note that for the first time in the industrial history of the United States depression did not mean general slashing of union wage scales.

However, the fact is that save on the railroads, where standard rates must be paid, as a matter of law, the actual going rates of pay have been well below the posted union scales. Thus, in New York City at the bot-

tom of the depression the union scale for painters was about \$12 a day, but only on city, state or government and large private work was that scale generally paid. Union men took, with the tacit approval of their unions, as little as \$5 and \$6 a day. As the employment slack is taken up, the union scale is again being demanded and is being paid.

The same is true of others of the building trades in that city and what is true of New York is true of every other large city in the country.

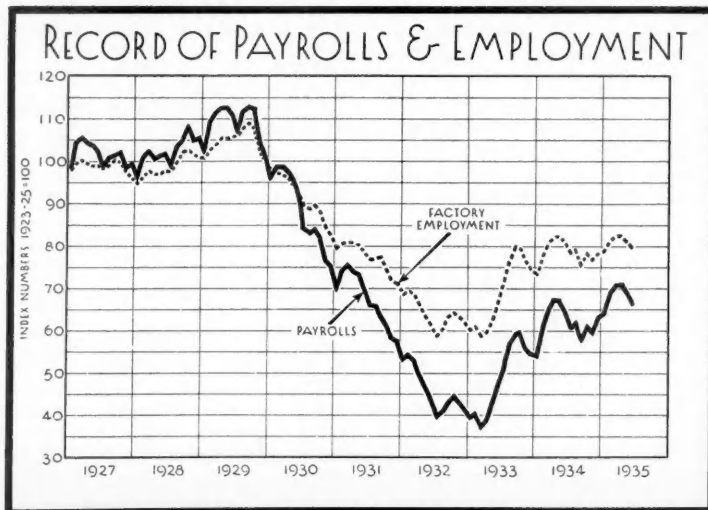
That this sort of thing has been good for the country, few, I think will deny, when it is considered that any attempt on the part of employers to secure cuts in the official rates of even 10 per cent would have meant strike after strike with all that strikes involve; and, with the return of good business, another series of strikes to regain lost ground, and gain more.

Men in closest touch with the labor movement, however, look for serious difficulties in the building trades within the year with the trouble starting in New York City through an attempt to force down the official scales when the time comes to renew existing contracts.

As this is written, building tradesmen are striking against

W P A wage scales in that city. Like strikes may come in other cities. The chances, however, are against any serious trouble because, as a matter of cold fact, practically all construction work is exempted from the W P A scale and wage scales of the skilled are generally protected.

What the New York situation really reflects—fear that even tacit acceptance of the W P A scales on minor jobs will be used as a club by the power-



ful Building Trades Association to batter down the existing wage scales when the time comes to negotiate new contracts.

There has been a well organized movement to force building wages down and the country has been pretty well sold on the idea that there can be no real revival of the industry until wages are reduced. This may or may not be so, but certain it is that the building trades will not take it "lying down." Certain also is it that the building tradesmen will have the support of all other trades, not because the building tradesman is so well loved, as because it is generally recognized in labor circles that the building trades scales make up the yard stick by which all other scales are measured, and that reduction of building wage levels must mean a general revision of the country's wage structure.

This doctrine is today being preached in the labor press and beyond doubt is building up something very much like that "united front" the Communists prate so much about.

What may come in other industries—textile, coal, automobiles, steel, rubber—depends on many factors.

Trouble in the Textiles

The textile industry, sick to the point almost of exhaustion, will unquestionably see much trouble, but it is very doubtful if anything like the large scale disturbances in the South of a year ago will be attempted, or, if attempted, be successful. The reasons for this are that public opinion in the South is pretty much anti-union, the last demonstration got the strikers little but loss of jobs and the feeling, current in Dixie, is that the attempts to unionize are "just another damn Yankee attack on the South."

The American Federation of Labor affiliate which has jurisdiction over textiles recognizes this and has very wisely used southern men as organizers and kept its northern bred officials north of the Potomac.

In New England and the East generally it is another story. There organization exists in every textile center if only in skeleton form, and it's no trick at all to shut down a mill or a mill town. With, however, small demand for goods, and bulging warehouses it is a question whether or not the closing down of mills would not be a good thing for the industry. There the unions will be in the position of punishing the manufacturers who have paid them the best wages for the benefit of the Southern manufacturer who insists on paying them the least.

That there are real grievances in the industry no fair person at all familiar with conditions in the South will deny. Wages are pitifully low, hours are long and the work loads put on individual operatives unconscionably heavy in many mills. In time there will be real organization in the South. Then strike areas will be good places for outsiders to avoid, for the "hill billy" once on the loose is no Caspar Milquetoast, but that time is not yet here.

Pretty much the same anti-union spirit prevails in the steel industry. To those who know the industry and its history, threats of a general strike are silly. The truth is that since 1893, and Homestead, every strike of importance in the industry has been lost. In 1919, after months of preparation, more money than the strike leader, William Z. Foster could spend, the advantage of the post-war psychology and little surplus labor, plus the solid support of the American Federation of Labor the strikers lost. This anti-union spirit on the part of the skilled men in the industry and not Judge Gary, beat the strikers. Unquestionably the unskilled "hunky" laborer can be organized and pulled out, but in any steel strike the determining factor must be full police protection or the lack thereof.

In the automobile industry it is another story. The out-

look for peace for the moment, for the months immediately ahead, is good—beyond any doubt William Green, president of the American Federation lost his great chance, and, incidentally much prestige, when he accepted the compromise offered a year ago. But the fact remains that Detroit is a powder mill that may at any time blow up, with recent happenings in Toledo a mere hint of what may come once it does blow up.

Veterans in what they choose to term the labor game say this condition is chronic, that for at least 20 years Detroit has been potentially the most dangerous spot in America. Anything like a general strike there, because of the layout of the city with plants miles apart, would, in the judgment of such men, require troops, perhaps Federal troops, to handle.

In the soft coal fields much depends on what Congress does with the Guffey Bill, pending before it as this is written. John L. Lewis, president of the United Mine Workers threatens to call out 523,000 men in September unless the bill passes. Inasmuch as probably fewer than 300,000 men are now engaged in the bituminous mines, the least that can be said of Mr. Lewis' threat is that it is exaggerated. Suspensions would undoubtedly follow his order in such fields as Illinois, Indiana, Ohio, western Pennsylvania and some parts of West Virginia, but response of the 300,000 is out of the question.

For the moment, also, there seems small chance of immediate trouble in the rubber industry. There, as in automobiles, delay and compromise broke down such organization as existed and abated the strike fever. But, as in automobiles, the soreness remains and it is only a matter of time when things are again at fever heat.

A. F. of L.—Industrial or Vertical?

In all of these industries much depends on the attitude of the American Federation of Labor on the industrial or vertical type of organization as opposed to the craft type. Traditionally the Federation, built on the wreckage of the Knights of Labor, an industrial organization, is for craft unionism. It has few industrial units, chief of which are the United Mine Workers, the United Textile Workers, the Amalgamated Clothing Workers and the International Ladies Garment Workers Unions. In its convention in San Francisco, a year ago, the Federation, according to press reports at the time, seemed to be about to abandon this traditional position. But, John J. Leary, Jr., dean of American labor writers, writing for the *World Almanac* a month later, made it plain that the seeming move was only a gesture, the real tendency of the organization being to stick to craft lines and organize the so-called mass production industries on the federated craft system which for nearly two generations has worked well on the railroads.

The accuracy of this interpretation was revealed in the July meeting of the executive council of the Federation, where John L. Lewis could get but one vote out of 14 to abolish the federated craft organization set up on the properties of the Anaconda Copper Co., and give full jurisdiction to the Mine, Mill and Smelters International Union, an industrial organization.

This question will come up again in the October convention of the Federation in Atlantic City, but he would, indeed, be a very reckless person or misinformed, who would dare predict victory for the industrial unionists, led by Lewis. Revival of rumors that the miners and other industrial unions will quit the Federation may be expected to follow if not accompany the action of the convention. They will be taken seriously only by the ill-informed and the lunatic fringe of the intelligentsia.

Whether the Wagner-Connelly Labor Disputes law will be followed by such a wave of strikes as came after the enactment of the National Industrial Recovery Act and the famous section 7a is doubtful. Most of the spots where strikes might be expected under the new act were struck in the last two years. They are not likely to be struck again.

Just how valuable the act will be to labor is a matter of dispute in labor circles, with those who were bred in the theories of Gompers, perhaps a majority in the Federation, having grave fears that it will prove a curse rather than a blessing, despite William Green's labelling it "a Magna Charta for labor."

The position of this school of thought is reflected in a recent issue of the official organ of the bricklayers, a fighting organization. In part it reads:

"We applaud Senator Robert F. Wagner, of New York, and Representative William P. Connery, Jr., of Massachusetts, for their work in putting the bill bearing their names through the Congress; we record with gratitude the names of those members of the Senate and House who followed their leadership, but for the moment, at least, we must decline to join the chorus of those who proclaim the Wagner-Connelly Labor Disputes Bill a 'Magna Charta of labor.'"

"We won't call the Wagner-Connelly Bill a Magna Charta just now because labor has not benefited from Magna Chartas in the past.

"There was, for example, the Sherman anti-trust law, pushed through the Congress by the late Samuel Gompers, James Duncan, John Mitchel and others of blessed memory. It was to free labor and provide shackles for capital.

"It provided shackles all right, but when the blacksmiths were through, they were on the hands and legs of labor, in the form of the Danbury Hatters and subsequent decisions.

"Next in the order of Magna Chartas for labor was the Clayton Act. It, too, was to free labor. Instead, in the notorious Bedford Stone and Duplex Printing Press cases, it provided rivets for the shackles placed on labor by the Sherman anti-trust law.

"Section 7a of the now skeletonized National Industrial

Recovery Act was hailed as yet another Magna Charta for labor. The millennium, if not exactly arrived, was 'just around the corner.' In its brief career it served to do for the employing interests what they had never been able to do for themselves—form almost air tight organization—and enable them to extract greater profits in the 1933-34 period according to the findings of Dr. Leon C. Henderson, director of the Research and Planning Division of the National Recovery Administration. It gave labor as a whole little and the skilled building trades exactly nothing.

"So with these experiences in mind, we refuse to hail the Wagner-Connelly Bill as a Magna Charta for labor. We hope it functions, but pending interpretation by the courts, we again exhort our members and our friends to place their trust in organization and economic strength rather than in any statute however, piously and generously conceived.

"Senator Wagner, a former justice of the Supreme Court of New York, and an outstanding lawyer, says the bill is constitutional. Other good lawyers agree with him.

"As good lawyers, representing industrialists, say it is unconstitutional.

"So the courts will have the last word and until they say it we must ask to be pardoned if we decline to believe in Santa Claus save for the children—if, in our mature years we have no confidence in fairies and leprechauns, and express an abiding faith in organization.

"What we get for ourselves we keep.

"What the law seems to give us is too frequently taken away by the law."

There in the last two sentences is the essence of Gompers: depend on economic strength not legislation.

With any considerable section of the labor movement taking that view of the bill, one wonders what those industrialists who profess to fear that it will turn all industry over to the Federation are jittery about?

They might find consolation, as many labor men find worry in that section of the Act which reads:

"The board (set up under the Act) shall decide whether in order to insure to employees the full benefit of their right (Please turn to page 466)



Happening in Washington

By E. K. T.

Business recovery is now regarded in Washington as an established fact. Building industry is gaining, durable goods industries are pepping up, consumer goods buying is expanding, farm income is increasing, normal season of business expansion is just beginning, investments are growing; and yet credit has been scarcely touched.

Dilemma for the Administration results. Growing critical attitude of the country will tend to hold the Government responsible for any setback that may come. If depression is still marked in 1936, Roosevelt's chances of re-election will be dimmed. On the other hand, a letup in radical propaganda and action will alienate a large leftist element.

Solution will be found after adjournment of Congress in much philosophical "liberal" discourse by the President and his lieutenants accompanied by pacifying attitude toward business in fact.

Republican victory in the "by-election" in the First Rhode Island district will be taken to heart by the Administration. It emphasizes the importance of unimpeded business recovery in a political sense. Here is a district which despite relief and recovery expenditures by the Government voted against it.

The pull of patronage was inferior to the conviction that the Administration's broader policies are inimical to recovery. The people voted for basic recovery as against palliative pap.

Cautious observers here warn that it is easy to overestimate the significance of the Rhode Island election, but remark that the acumen revealed by the management of the Republican campaign points the way for 1936. Little was said against the President—there was no criticism of his labor and social security policies. The processing taxes, as they are affecting the textile mills which the voters see every day, were expounded to the limit.

The closed mills and shops flooded with Japanese cotton goods were something the voters could see, experience and understand. This was smart politics, but the local argument ad hominem might produce a different result in another district.

Scouts returning to Washington from travels in the Southern states report that the most bitter criticism of the Administration heard anywhere is voiced in that region. Members of Congress from the South are disconcerted by the protest mail they are receiving from their constituents. They say, some of them, that while they will "go along" with the President until this session ends, they will have a new deal of their own in the next session.



Wide World Photo.

HERMAN OLIPHANT
Mystery Man of the Treasury

Administration spokesmen privately cite the soak-the-rich tax bill as an evidence of the President's dilemma course. Actually the bill, as amended from the President's message, does little immediate injury to business, does constitute a step, however feeble, toward balancing the budget; and yet leaves the President as a vigorous exponent of redistribution of wealth and an opponent of the predatory and all other kinds of large fortunes. Recovery, it is argued, is not impeded; neither is the making of political capital restricted. Senate Finance Committee is hostile to the "soak" bill but it will pass after denaturing. Conference will be short and sweet.

Congress was not altogether surprised by the Rhode Island reversal, neither Democrats nor Republicans. A progressive change in public opinion has been sensed here for many weeks. It is a subject of agreement in the lobbies of Congress. The Democrats are mad because the President has allowed the

psychological moment of national unity behind him, while he was still the popular hero, the faultless leader, the boss, to pass without permanently capitalizing it. It is difficult to express the subtle change, which is so evident here, without appearing to be disrespectful to the President. But it is something like this:

The incumbent of the Presidency is becoming passe. Public respect for his judgment, his policies and his utterances is waning. He is no longer regarded as a super-man. He becomes daily less and less an asset to the party, and yet even if he becomes a positive liability he will retain a lead-pipe cinch on the party. It can't get along with him and it can't get along without him.

A miracle is sought. Prayers are figuratively offered up that something may happen which will bring the magnified Roosevelt of 1933 to the center of the kindly spotlight again—something that will again make him the strong, ever-right national leader.

And something may happen. Mr. Roosevelt is nimble and clever. Give him the right tack and he will make the most of it. His trouble has been that he has made too much of popular tacks. He has followed them after they have turned unpopular, and even into unwisdom, by reason of their excesses. But if the idea should penetrate his persistent mind that he is actually slipping, and that much of the reform he has accomplished may follow him down the declivity, he may be counted upon to take some dramatic, even if inconsistent (that's unimportant) measures to regain his moral leadership. In the meantime, business recovery works to repair his errors.

But mistakes breed mistakes. Take the deadiy tax bill. To get it promptly through Congress and with it the other "musts" the President must make deals, outright or implicit. To get the deathless bonus issue out of the way it has been promised right of way at opening of the next session of Congress in January, a promise that could hardly have been given for such a politically pestiferous bill unless the President was willing to approve it. But there again the business "state of the union" intervenes. With business waxing and confidence stiffening, the public might agree that the bonus debt, due anyway in 1945, might just as well be paid and forgotten. Otherwise informed public opinion would be harshly unanimous in condemning a retreat from the high ground taken by the President in his incontrovertible message supporting his bonus veto of last spring.

A paradox in a time of paradoxes is the spectacle of the central government endeavoring to persuade political subdivisions to go into debt at the same time that it is helping them to get out and keep out of debt. Mr. Ickes has a flying squadron in the field to persuade public bodies to borrow money to complement Federal grants on his quota of Works Program Administration funds. The lasting public works and housing enterprises of P W A call for too much material and equipment to fit into the work-relief scheme, which necessarily demands the lion's share for relief-labor wages, if \$4,000,000,000 is to give a year's employment to 3,500,000 persons. Mr. Ickes' solution is to get the states to share the cost of his projects to the extent necessary to make up the deficiency of labor pay.

Reform and relief are in a \$500,000,000 head-on collision in Rex Tugwell's rural reconstruction part of the work-relief scheme. What interests Tugwell is the reform of the economics of rural life. He wants to get good farmers off poor land and onto good land and turn the poor land over to proper poor land uses. He can't go far in buying good land if most of his money must go to relief labor.

Adjournment of Congress is still one guess or another. The whole power of the Administration is being applied to breaking the legislative log-jam immediately. Everybody in Congress is yearning for home, fatigued and more or less disillusioned with the bright eyes of once seductive new deal legislation. The way out is either job-lot action on the six "musts" held up in Senate-House conference committees or impulsive adjournment. The longer the impasse continues the greater the possibility of the latter. As this is written the best guess appears to be adjournment by August 31. There will be no extra session in the fall.

Compromise utilities bill will pass, but the "death sentence" will not be in it whatever words may be used to cover its deletion. Congressmen checked up their anti-death sentence mail after the revelation of telephone directory signatures in Pennsylvania and found that the wretched

fake was localized. Method was to write or wire every tenth protestant for confirmation. It came like a whirlwind.

Silver purchasing policy will continue in the channels established by the Treasury Department. Nothing will come of the move to repeal the 50 per cent tax on silver profits. Senator Pittman has remained aloof from the movement to abolish that tax and so restore domestic trading in silver. The senior Senator from Nevada knows his politics and also the dangers of not letting well enough alone.

The Senator virtually dictates the Treasury policy regarding silver and is always in close touch with Herman Oliphant, chief counsel to the Secretary of the Treasury, a shrewd, silent, quiet man, close to the President, who is more and more regarded as "the man to see" if you want to forward an idea to the President.

Banking bill conference compromise will pass. Administration stands ready to accept the Glass version, but will press for some concessions, feeling that Senate will not stand by Glass to the last ditch.

Other legislative guess: Shipping bill will fail and Congress will extend present mail contracts. Gold clause abrogation bill will pass. Textile control bill and new industrial control plan are out. Guffey Bill will win. Senate will not greatly change tax bill. "It will make more votes than it will lose." A A A will be a substantial Administration victory. Oil control compromise bill to die.

Treasury has eclipsed the Reserve system in much of the latter's functions of a central bank, and has come to

dominate what it has left to the Board and Reserve Banks. Veteran members of Congress are wondering what will be the result when the social security reserve funds reach \$9,000,000,000, — yes, \$9,000,000,000,—in the next seven years and, eventually more than \$30,000,000,000. Even a more lavish Administration than that of Franklin Roosevelt's will then be able to finance itself with ease. The reserve funds will absorb billions of government securities annually, and Congress will have a grand time appropriating money to be supplied by bonds to be taken by the stupendous trust fund. It will in fact be disastrous to the security scheme for the national government ever to get out of debt. It must forever stay in debt to maintain the fund. The Government must be the perpetual debtor in order that

aged idle or other favored citizens may be kept out of debt. Roosevelt has made this a billion-dollar-minded government. And that it will remain.

Works Program Administration "strike" in New York City has mixed reactions here. W P A is full of labor unionists and parlor pinks, at outs with the President's firm stand for the essential principle of a "security," as against a regular labor, wage in work-relief. President will stand pat at any cost.

Washington Sees—

Recovery as nullifier of executive fumble.

President meditating rebuff in Rhode Island and planning come-back strategy.

Business to be placated.

Herman Oliphant as "mystery man."

Congress crashing into adjournment, leaving legislative wrecks.

No extra session.

Silver policy to continue unchanged.

U. S. forever billion-dollar minded.

Social security fund a pledge of endless debt.

Business revival continuing indefinitely.

Work-relief bogged down.

\$500,000,000 rural regeneration scheme imperiled by Works-Program labor limit.

New Trends in Investment Thought

As Revealed by Recent Changes in Portfolios of Leading Investment Trusts

By GEORGE W. MATHIS

THE prestige of investment trust management took a terrible beating in the depression, as is not surprising in view of the fact that so many such trusts were organized late in the boom—just in time to get in on the ground floor of the great deflation. As a result, management for a long time sold at a large discount.

Today that discount has disappeared in some instances and has sharply narrowed in others, giving investment trust stocks a much closer relationship to the per share value of the underlying assets. On the whole, investment trust management has regained a considerable measure of public respect.

Certainly it is not infallible, but its opinions of securities and of industrial trends—as reflected from time to time in the reports of portfolio changes—are well worth the investor's attention, especially when, as in some questions of policy, a virtual unanimity of opinion is shown.

Study of the purchases and sales made by leading investment trusts during the first half of the year is worth while, if for nothing else, as a convenient starting point in checking one's own opinions in re-appraisal of holdings and policy. Of most interest are such portfolio changes as seem to have a longer term significance. It need hardly be said that many reported changes will offer the investor little or no guidance and may actually be hazardous to follow.

For example, a portfolio may show purchase of 10,000 shares of a particular common stock between December 31, 1934, and June 30, 1935; but, let us say, this stock had a range within this six-month period between a low of 20 and a recent high of 43, and the report does not show at what average level the trust made its accumulation. Perhaps it was around 23 to 25. It does not follow that the trust would buy the same stock at its present price of 43 or that its presence in the portfolio on June 30 can justify blind optimism in it on the part of the investor.

Nevertheless some changes shown will be found to be interesting, whether they merely offer the investor the psychological pleasure of seeing his own judgment confirmed or whether they offer a hint that he might well take second thought. Probably sales made by trusts during the first half year should be given closer attention than purchases. Better late than never is a good rule in getting out of unfavorably situated securities or industries. Moreover, in a market which has been rising for months, the



difference between present prices and prices at which trusts liquidated stocks during the half year will average much less than the difference between present prices and prices at which trusts bought stocks during the same six-month period.

The most striking consensus of opinion shown by investment trust management is that the prospect, as far as it can now be judged, indicates a credit inflation and a more or less orthodox business recovery in contrast with further monetary tinkering or an inflation of the currency.

On this reasoning most trusts have liquidated or substantially reduced holdings in gold stocks, the premier "inflation hedge"; and appear to have turned somewhat sour on metal shares in general, with some exceptions here

and there as regards silver issues, due to the peculiar blessings bestowed upon this metal by the Treasury buying program which some time ago was made mandatory by Congress.

On the same reasoning, a more bullish stand has been taken on heavy industry, capital goods and construction issues—since these, representing the most depressed sector of the industrial group, would have farthest to go in continued business recovery.

Oil stocks, likewise, came in for general favor and so did the sounder public utilities. It is just as well, however, to bear in mind that both of these groups are now considerably above the levels at which accumulation was probably accomplished.

On rails the reported changes are mixed, with the majority of trusts lukewarm, if not sellers on balance during the six months. This is not surprising in view of rail reports now being issued which show earnings of most roads well under a year ago. It is interesting to observe, however, that during the second quarter Tri-Continental Corp. bought Atchison, Baltimore & Ohio, Great Northern, Northern Pacific, Pennsylvania and Southern Pacific. The six months' statements of Lehman Corp. and United States & Foreign Securities Corp. show liquidation of rails.

Large holdings in leading motors are shown to have been retained by most trusts, though with some shifts. Chrysler, a spectacular performer in recent weeks, was liquidated to the extent of 12,000 shares before June 30 by United States & Foreign Securities. Lehman sold a little of its

(Please turn to page 465)

THE MAGAZINE OF WALL STREET

My Experience With the Securities Act

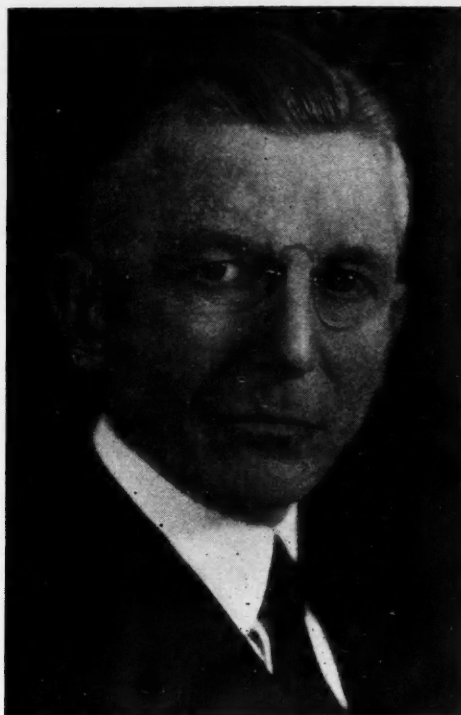
OUR company was probably the first to file registration papers under the Securities Act of 1933 in connection with underwriting a large issue of new convertible preferred stock and the retirement of various issues of preferred stocks outstanding. As our assets consist almost entirely of cash and current receivables—no real estate, buildings, machinery, franchise, patents, etc.—we thought registration for us would be very simple, but found that we were badly mistaken.

I have long favored the fundamentals back of the Securities Act and the Securities Exchange Act, but the lawyers and accountants who prepared the forms and questions in use went to such extremes in their desire to check an occasional crook that legitimate business is burdened with a lot of unnecessary detail work and expense. The latest forms are still too long and require too much detail and repetition. Figures duly certified by reputable public accountants are not acceptable under Form E-1 since all consolidated journal elimination entries must be spread out in great detail. In being so technical with many small matters they entirely overlooked some very important points. The Commission, however, is very co-operative and helpful in its attitude towards further simplification.

There are many reasons for our company and others to operate in various states through wholly owned subsidiaries which owe nothing except to the parent company, and whose entire assets and liabilities are consolidated in its balance sheet. No possible good purpose is accomplished by giving many required details of such subsidiaries in the Registration Statement or in the Prospectus in connection therewith, and such details merely confuse rather than clarify matters for stockholders and others. Details and balance sheets of subsidiaries not wholly owned or which have outside liabilities are necessary.

Much has been said about the necessity of exposing to the public the salaries and other compensation paid to corporate executives and directors. This question must be answered as to officers and directors of "Registrant," but with no reference as to officers and directors of any of its subsidiaries who are not officers and directors of "Registrant". The latter can be paid very large salaries and bonuses without the fact being divulged anywhere.

Under the Securities Act, officers and directors may have to prove their innocence in certain state courts rather than have to be proven guilty, since in some state courts the judge cannot instruct or take the case from the jury as in



Underwood Photo

A. E. DUNCAN

Chairman of the Board, Commercial Credit Co.

the Federal Courts. Liability of officers and directors and the method of proving them guilty should be identical under the Securities Act and under the Securities Exchange Act, which properly provides for procedure in the Federal Court only. This liability is made less effective by permitting the corporation to guarantee its directors, chief executives, financial and accounting officers, experts and the underwriters against any loss if all material facts stated are not true or if there is an omission of any material fact required to be stated or to make the statements not misleading.

Should a corporation desire to issue additional stock for cash or property, shortly after completing registration, it should not be required to go to the trouble and expense of filing another Form-10, as is now required, instead of merely filing a brief amendment setting forth the number of shares, date, to whom they are to be issued, and the consideration therefore.

In my view the entire process by which securities are registered under the Securities Act could be shortened to the advantage of the security holder and the company, with considerable saving and without sacrifice of any of the protection which the present law is designed to give.

One of a Series of Guest Editorials by Leading Men of Industry

for AUGUST 17, 1935

The Threat of Credit Inflation in Recovery

Part II

Whence It Comes, What It Means, How It May Be Dissipated

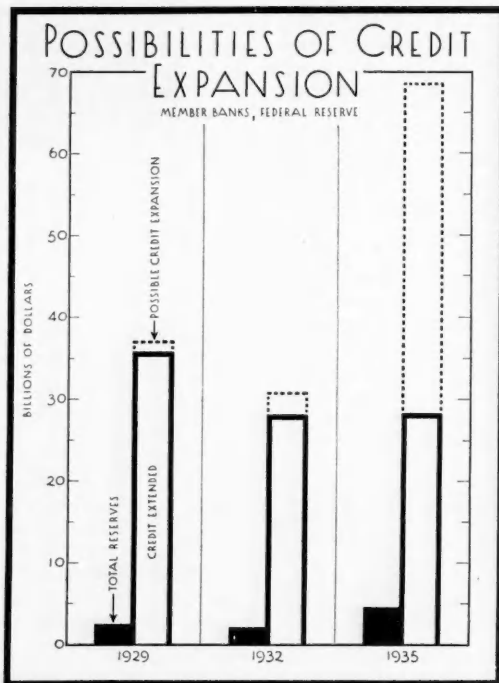
By THEODORE M. KNAPPEN

IT is a common assumption that credit inflation is inevitable. If by such inflation we merely mean that as business improves more use will be made of credit the assumption must be accepted. If we mean that credit will be abused and that there will be a wild riot of prices and speculation the assumption is not so unquestionable.

It is not enough to have inflammable fuel to make a fire. The match must be applied. We have plenty of fuel for a credit conflagration but combustion may not start. Senator Glass remarked the other day, rather scornfully, of plans to prevent inflation that "we already have more deflation than may be remedied in the next 10 to 20 years to come."

At the same time the Senator charged that Governor Eccles of the Federal Reserve Board, author of the pending Federal Reserve reorganization bill is the chief inflationist of the United States. The emergency purpose of the Eccles Bill, as originally drawn, was to provide means of stimulating credit use, and the Administration is now bent upon attaining its goal of higher price levels by means of controlled credit inflation. Raising gold prices by lowering the quality of money having failed, the program now is bringing prosperity by manipulating credit and credit money.

The bank bill, as passed by the House, provided a means for promoting credit inflation that is not profoundly different from the crude method of the engraver and the printing press. It explicitly authorized the extension of open market operations of the Reserve Banks to include direct purchases of government obligations from the Treasury. Applied to the limit it would give a result not far



Possible credit expansion is estimated as: total reserves x 15.4, which is the average relationship between reserves and "loans and investments" for the years 1925-31

different from the currency inflation experienced by France and Germany after the war. In those countries the governments sold their obligations to the central banks, receiving for them huge quantities of freshly printed bank note money. The banks operated the printing presses and the governments got the product. This is not so different from the Government printing the money. It has more of an air of monetary respectability and fools the public a little longer. If the Reserve Banks should directly buy U. S. bonds with issues of their notes we would have a likeness of French and German inflation here.

Regardless of the fate of the bank bill, we have the concrete makings of that sort of credit inflation of the currency, for under the "Thomas amendment" the President has the authority to require the Reserve Banks to purchase as much as \$3,000,000,000 of bonds from the Government. Open market operations, moreover, provide an endless chain for the conversion of Government credit

into cash. There is not a profound difference between a flood of Federal Reserve notes and a flood of greenbacks when it comes to laying the fire for an inflation, although there is a difference in possible volume, for bank notes are limited to 250 per cent of the national gold stock and the greenbacks might have no terminus except that of utter worthlessness.

Inflation can be invited through the credit route, by the printing of bonds, almost as simply as it can be cultivated by printing a great volume of money. We are issuing today billions of what the Japanese economists call "red ink" bonds. "Red ink" bonds are the result of an unbal-

anced national budget. They are not so different from fiat money. They are engraved paper issued to pay current expenditures of the Government—to take the place of revenue. With printing press money the Government pays its bills in non-interest bearing paper promises to pay real money—sometime or other. With bonds the Government pays its bills with interest-bearing promises to pay at a definite time; that is, it sells bonds and gets cash for them, which it uses to cover its expenditures. A "red ink" bond may be a good deal like a greenback in respect of the dependability of the promise to pay.

This country could absorb a lot of weak paper money before the people would worry about the pay-off, and it is absorbing a lot of bonds without worry. But just as loss of confidence in printing press money causes a decline in its purchasing power and so compels the issuance of more money, so bond financing in red ink finally leads to an inflation of bonds. We already have more bonds by far than investors absorb. The banks absorb each new issue at a high price because they have nothing better to do with their funds.

Now note what happens. The banks take the bonds and give the Treasury a corresponding credit. The Treasury

checks against this credit and as the checks are cashed the proceeds flow back into the banks, and their deposits grow, and excess reserves—lending dynamite—accumulate. In consequence of indigestible government issues we now have excess reserves in the Reserve Banks to the amount of \$2,500,000,000. The

new bank bill, as passed by the Senate (defying Mr. Eccles) specifically forbids the Board to buy directly from the Treasury in open market operations, but the endless chain of conversion of bonds into bank notes can go on whenever the banks can buy Government issues and turn them over to the Reserve banks. Existing excess reserves alone are potentially capable of an increase of \$25,000,000,000 in member bank loans. Finally, it is to be noted that even the Senate form of the bank bill gives the Federal Reserve Board power to compel every Reserve bank to join in open market operations to buy or sell "Governments" and that it includes the guaranteed issues of Government agencies as well as direct Government obligations within the field of buying and selling of securities.

If the whole banking and business world, from top to bottom went mad again as it did in the twenties, it is questionable whether the present restrictions of the banking act on speculative loans by member banks, and the prohibition of speculative loans for the account of others, would be sufficient to prevent the emission of a flood of Federal Reserve

credit notes—especially if the Government were intent upon inflation. But credit inflation is not limited to the use of banks. In the stock market boom of 1929, \$9,000,000,000 of private funds went into the call market loan in addition to the banks' loans to brokers; and the inflation of credit poured billions of fiat credit into real estate, business expansion and instalment buying. But it was 15-to-1 bank credit (\$15 of loans to \$1 of cash) which made possible these great volumes of artificial private funds. It was primarily due to the abundance and ease of such credit that bond flotations rose to \$10,000,000,000 a year and that billions were lent abroad and converted into colossal exports, that instalment buying mortgaged future income of individuals and that vast if fleeting fortunes were made in business and speculation—immense amounts of cash thus being placed at individual disposal.

This credit inflation did not appear to affect commodity prices, but it is now held that if it had not been for the effects of inflation commodity prices would have declined precipitately between 1922 and 1929, instead of remaining practically level.

During the boom period member reserves with the Federal Reserve Banks were kept at the lowest possible

point. There was almost no change from 1922 to 1928. But today, thanks to open market operations in both the Hoover and Roosevelt Administrations, and also thanks to our gold and silver policies, member banks have excess reserves of \$2,500,000,000, which means that they could conceivably lend fifteen times that much in addition to their present loans and investments of \$27,000,000,000 without the help of the Reserve banks—to say nothing of the possibilities of adding to excess reserves through gold imports, silver purchases and money released from hoarding. This fact should be kept in mind, along with the fact that we have an Administration which is intent upon bank credit inflation or reflation as an instrument of business restoration.

Credit inflation in action depends upon both borrower and lender. For five years the banks have been afraid to lend and borrowers could not borrow. The Administration does not believe that this impasse can continue when confronted by money to burn and stirred by the percussion of

some natural revival of business. What it wants is a rise in the price level to that of 1926, with its resultant reduction of debt burdens—whatever else may happen. As in the gold experiments it goes on the theory that whether a price rise is artificial or not it is all to the good, although there may be little inflation in a price rise brought

(Please turn to page 466)

Credit Inflation Explosives

Government committed to a policy of price inflation.

"We are talking about the fear of inflation or reflation when as a matter of fact that is what we want"—Eccles, Governor of the Federal Reserve Board.

\$2,500,000,000 of cash (excess reserves) in the banks against which at least \$25,000,000,000 can be lent, without adding a cent to reserves.

Total reserves of \$5,000,000,000 would sustain loans of \$75,000,000,000 at a ratio of \$15 of credit to \$1 of currency.

\$9,000,000,000 of gold in the Treasury—ever increasing—which would support a total of \$22,500,000,000 of currency.

Government capable through the Treasury of vast open market operations independent of the Federal Reserve Banks.

Government can by law compel Reserve Banks to take \$3,000,000,000 of its obligations and issue Federal Reserve money for them.

Government, dominating the F. R. Board, can compel further Reserve bank purchase of securities in the open market, thus increasing the credit base, by adding to excess reserves and expanding currency issue potentiality of Reserve Banks.

The greater, therefore, the national debt, the greater becomes the bank credit base and also the currency base.

Reserve Banks Offer \$280,000,000 to Industry

How the Federal Reserve "Direct" Loans Are Made

By W. H. POUCH

President, Concrete Steel Co.; Former President, National Association of Credit Men; Chairman, Industrial Advisory Committee, Second Federal Reserve District (New York)

THERE is nearly \$200,000,000 set aside in the Federal Reserve System for business men who need more working capital. Almost \$280,000,000 was originally available, but about a third of it has already been put to use.

This money has been provided specifically to help the business man whose working capital has been dissipated during the depression. As President Roosevelt put it not long ago: "The drain of a depression upon the reserves of a business puts a disproportionate strain upon the modestly capitalized small enterprise." Even in normal times the small business man does not have the access to the organized money markets available to the large corporations.

Banks are unwilling, for the most part, to tie up their funds for more than a few months. So the cry arose for special facilities for the small business man. The President put the matter up to Congress. Congress decided to use existing agencies, namely, the Reconstruction Finance Corporation and the Federal Reserve Banks.

New Federal Reserve Powers

The Federal Reserve Banks were given new powers by the addition, on June 19, 1934, of Section 13b to the Federal Reserve Act, authorizing them to co-operate with member banks, non-member banks, and other financing institutions in making loans for working capital purposes to establish industrial and commercial enterprises. The Reserve Banks may also make such loans direct when credit is not otherwise available. These loans are to be made on a "sound and reasonable basis" and with maturities of not more than five years. The funds made available, as I have already remarked, amounted to something less than \$280,000,000.

The Federal Reserve System went promptly to work. As provided in the law, an Industrial Advisory Committee of five active business men was set up in each district. Each of the twelve Reserve Banks is independent. The Reserve Board made no attempt to interpret or define the provisions of the law. So the banks vary widely in their interpretation of such phrases as "working capital." And, of course, the action of each bank is final. Nothing has to be referred to Washington. Interest rates are those prevailing in the respective districts.

Who may borrow under Section 13b? Well, in the first place, the borrower must have a going business, not a new enterprise. Also, these loans are not primarily intended to pay for new machinery, factory equipment, plant

modernization. These particular needs are now being taken care of by the Federal Housing Administration which is now authorized to insure loans for equipment on a five-year instalment basis up to \$50,000 for any one plant.

Reserve Bank industrial loans are meant especially for the concern whose working capital has been exhausted and which now faces the necessity of expenditures for raw materials, increased payrolls, for financing accounts receivable, for paying off trade creditors, for advertising and sales campaigns,—in fact, for any expenditures necessary to keep a business going or to expand it.

And, of course, these loans are not intended to rescue hopelessly moribund enterprises, or merely to postpone inevitable bankruptcy. The borrower should have a fair prospect of being able to make money once his immediate needs are taken care of by one of these loans.

How Loans Are Made

Supposing a business man thinks that his needs come within the scope of the law. He should first contact his own bank. He should ask for an ordinary loan. If he is turned down he should then find out whether his bank will participate with the Federal Reserve Bank in making a 13b loan. Other things being equal his bank ought to be glad to do this, because it is mighty good business for the bank. The Reserve Bank furnishes complete liquidity and may guarantee a loan up to 80 per cent, making only a very small commitment charge for the service. But if the borrower's bank decides to keep entirely out of the picture, the borrower should make direct contact with the Federal Reserve Bank, either by letter or in person. After a thorough but prompt credit investigation, the Industrial Advisory Committee will recommend for or against the loan, and this will be followed by action on the part of the bank. The whole process ought not to take more than three or four weeks.

Loans have been made to almost every conceivable variety of business enterprise. More have been made to manufacturers than to merchants. There have been loans as large as \$6,000,000, and as small as \$250. A majority of the loans have been made for less than \$10,000. Most of the loans made are payable in from three to five years.

A brief reference to two typical cases will indicate what is being accomplished.

A small iron mine in the Adirondacks was closed down by the depression, and a community of 6,000 people, en-

(Please turn to page 466)

THE MAGAZINE OF WALL STREET

Significant Foreign Events

By GEORGE BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

Striking Against Deflation

The widespread labor troubles and general dissatisfaction throughout France show forcefully that the soundest theories have practical limitations. France's main economic ills arise from the fact that the franc is over-valued in relation to the currencies of the rest of the world; that it costs other people too much to buy francs and therefore too much to buy things quoted in francs. Thus, France has seen her export business dwindle, seen her tourist business recede to a trickle, seen her imports rise despite the most drastic tariff and quota restrictions, and seen her gold hoard raided. Theoretically, there are two things she might do to remedy the situation, both guaranteed to effect the desired result: (1) She can cut the gold content of the franc, or (2) she can force down her domestic price level. So far she has resolutely refused to select the first of these alternatives, but now her chosen course is running into difficulties. Labor is tired of having its pay cut and so, strikes. Seemingly, however, French labor ignores the truth that if the country devalues and raises franc prices thereby, real wages which is what really matters will be cut anyway. The French, of course, would like to eat their cake and have it too; they would like to maintain the present gold content of the franc and at the same time suffer no further deflation. This, however, is impossible and all the attempts that are being made to check the deflation by easy money and the encouragement of industry are foredoomed to failure. Sooner or later she will have to swallow the bitter pill of devaluation.

* * *

Germany's Floating Debt

A so-called exhaustive report on Germany's short-term borrowing, just published by the Bureau of Statistics, merely adds to the mystery—although it is hailed by the propaganda-ridden press as a triumphant refutation of the prevailing gossip that under Hitler the short-term debt has mounted by 20,000,000,000 marks. The classified schedule of new short-term debts is introduced by the bureau under a somewhat vague caption, justifying the inference that the schedule is not complete. By coincidence, the *Frankfurter Zeitung's* quarterly economic survey lets the cat out of the bag by stating it is impossible to determine the total of new debt because intermediary financial institutions handling much of the borrowing publish no accounts. While the German press rages at reports that the debt is 20,000,000,000 marks, the government itself has avoided any statement. When a government declines to put its financial cards face up on the table, suspicion will not down.



American Manufacturers in Japan

In a battle royal it doesn't make much difference who started the fracas. Which is by way of saying that one cannot blame Japan for being nationalistic in a nationalistic world. Nevertheless, nationalism at its worst is seen in Japan's announced effort to get control of the automobile industry in that country, now dominated by American firms. An economically sane world would be well content to let Americans make its motor cars, since we make them better and cheaper than anyone else. On the other hand we howl to

heaven when the Japanese undercut us on rayons and some cotton textiles, though on total trade we sell her twice the volume of goods that she sells us. General Motors and Ford plants in Japan are reported to turn out about 10,000 cars a year each. Even if they lose this business it will not dent them seriously. They may not lose it, for the Japanese action is stated, somewhat vaguely, to apply to future expansion and not to present "vested interests" of foreign firms.

* * *

Canada Sells \$76,000,000 in Bonds

After all the harsh things that have been said and written about foreign bonds, all foreign borrowings in the United States market are headline financial news. The United States, of course, has always considered Canada in a category different from the rest of the world, but even so we haven't been lending her a great deal of money in the past few years. As a matter of fact we haven't been lending anyone very much and the \$76,000,000 Canadian issue which was sold the other day was only the second foreign government loan floated in the American market since the Securities Act was passed. The bonds will bear a coupon of 2½ per cent, are due in 1945 and callable in 1943, and were offered to the public at 97¾. The money will be used to pay off \$50,000,000 in 2 per cent notes and to redeem \$26,000,000 in Canadian National Railway bonds which have been called for redemption next September. Not the least interesting feature of the offer were the details of Canada's economic position contained in the prospectus. This document went into the status of the Dominion's debt, its revenues and expenditures, and its foreign trade position. Probably, if we had paid as much attention to such facts, at the time we were lending so much money to South America and elsewhere, less of it would have gone sour. Certain it is from now on that the investor in foreign bonds will know a great deal more about the transaction than was customary in the past.

High Grade Bonds Bumping Ceiling

Owing to Extremely Low Yields From Prime Issues, Investors Are Now Paying More Attention to Medium Grades—a Logical and Safe Policy for a Time.

By J. S. WILLIAMS

FOR a month or more now, the high grade bond market has been marking time with representative averages showing a fluctuation of little more than a single point. In view of the record highs at which high grade obligations are currently selling, the question has arisen as to whether or not the present performance represents a topping-out of the market—in other words doubt is being expressed that prime bonds can make much further progress, despite the admitted glut of money.

This idea is by no means illogical. After all, one cannot argue about bonds that if a second grade issue sells on a 6% basis, then one twice as strong should sell on a 3% basis, and one twice as strong as the last on a 1½% basis. The argument: the stronger the bond, the higher it should sell clearly has practical limitations and it may well be that the market is bumping against these limitations right now.

Also, apart from the very lowness of yield itself afforded by high grade bonds today, it is undoubtedly true that the optimistic business outlook has had an indirectly depressing effect upon any tendency that they might have to work higher. Improving business, higher prices, a better situation in real estate, all have combined to improve the quality of bonds. Thus, investors today are finding among securities that a year or so ago were distinctly second rate all the safety necessary to meet their particular requirements. In addition, it is quite likely that improving business has had the psychological effect of lowering previously maintained standards of safety.

These two developments, one actual and the other mental, afford a reasonable explanation of the bond market's somewhat strange behavior over recent weeks—the fact that medium and second grade issues have given a much better account of themselves than the very best. Is this state of affairs likely to persist and, if so, what meaning has it for the individual investor?

So far as its continuance is con-

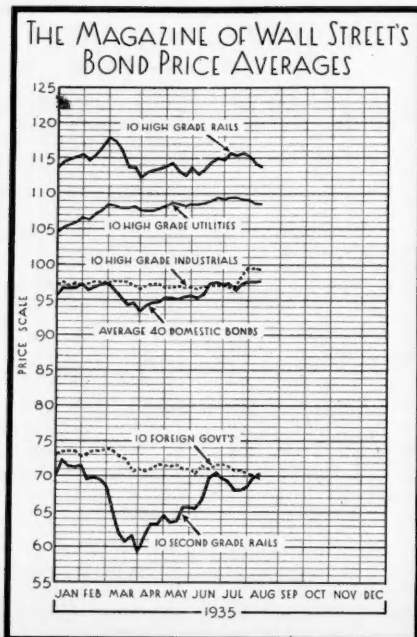
cerned, there are no signs of change in the basic conditions that brought it about. There is, of course, no fixed point at which bond yields can go no lower. Possibly, extremely easy money over a considerable period of time would make us thoroughly accustomed to the present returns and that then bonds would move to another ceiling. For the time being, however, it would seem that one must accept what evidence there is that high grade bond prices have already reached at least a temporary ceiling. There is no sign of decline, but their upward progress from this point should be very slow.

This does not mean that the true investor, should hasten to dispose of his soundest holdings. As long as the question of their being called does not enter into it, such a course would be extremely hazardous. Such securities were bought as investments and they should be held as such. On the other hand, should there be new money available—with adequate representation in prime bonds already obtained—it would be the better course from this point to make one's purchases from a list of medium grade issues.

In this way, the investor will gain the advantage of an immediate return higher than that obtainable from a bond of the highest quality and, at the same time, the clearly defined prospect of still further improvement in business affords him the well-founded expectation of improving quality in his investment.

Naturally, more care is required in the selection of medium grade bonds than is necessary to the selection of the best. Any one can buy a United States Government bond without any fear that disaster will overtake the dollar principal, but to buy a bond today yielding anything substantially over 5% without undue risk calls for some investigation. Preference, of course, should be given the obligations of companies well in the van of the recovery movement. They do not necessarily have to be making a lot of money (if they are, their bonds probably are high grade anyway) but they should be companies whose business has turned

(Please turn to page 468)



Semi-Annual Dividend Forecast

Part II — Steels, Metals, Chemicals, Foods, Sugar, Tobacco and Building

WE are now well into the third year of economic recuperation and despite its irregular course the results are cumulatively reflected in a rising trend of aggregate corporate earning power and a consequently more liberal distribution of dividends to investors. The year to date has produced hundreds of favorable dividend changes and has established the foundation for many more extra payments or increased rates in coming months.

The investor's interest is not alone in this generally favorable trend, but more specifically in developments and dividend prospects in individual companies, some of which set the pace while others lag behind. It is to serve this specific interest that Part II of our expanded Dividend Forecast is herewith presented covering the outlook for the following industries and the leading companies in them:

steel, metal and mining, chemical, building, food, sugar, tobacco. Part I, which appeared in the previous issue of August 3, covered the railroads, automobiles, accessory companies and various equipment industries such as agricultural, electrical, business, etc.

In the succeeding issue of August 31, Part III of the Dividend Forecast will include the public utility, amusement, merchandising industry as well as oil, aviation and others.

In these three parts the reader is thus afforded a comprehensive picture of the situation in the major industries and an indication of the current earning position and outlook for the leading companies.

The tables and comment comprising this service are accompanied by our usual investment ratings, as explained in the table herewith.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	1—Large current earnings; dominant in field; strong financially.
B—In a fairly strong and stable position.	2—Good potential earnings; important company; good financial position.
C—Depressed but prospects for recovery moderately favorable.	3—Earnings still relatively low; fair financially; business volume moderate.
D—Depressed; declining profits; no signs of nearby improvement.	4—Doubtful outlook; weak financial position; unprofitable operations.

Steel Industry in Improving Position

AT this time, in our opinion, the steel industry is definitely on the recovery road and is further along that road today than at any previous time since we turned the depression corner early in 1933. The strength in the present position of the industry lies in the fact that at no time this year has expectation of higher prices played a part in actuating consumers to stock up. On the contrary, doubts centering on N R A, as June 16 loomed on the horizon, kept demand and production in close line with current consumption. For this reason it can be forecast with reasonable certainty that the severe third quarter slump of last year will not be repeated. For this reason also—since consumers' stocks of steel are now geared closely to immediate needs—it can be forecast that any improvement in general business activity during the third quarter will be reflected almost immediately in an upturn in steel production. In short, total production of approximately 3,525,000 tons in the first half of this year, as compared with 3,678,895 tons in the same months last year, will not prove to have been at the expense of subsequent demand as was the case last year.

Probably the outstanding event in the steel industry this year will prove to have been the nullification of N R A and the code under which the industry operated. With the passing of the code considerable doubt was manifested

as to the trend of prices. Thus far, at least, manufacturers have been successful in withstanding efforts to obtain price concessions, which were particularly sought on sheets and strip. The view is held that should the industry revert to the former policy of granting concessions on large orders, the entire price structure might be disrupted. On the other hand, the substantial increase in wages and raw material costs in the industry does not permit much leeway in granting concessions. What may happen in the future when new mills now under construction are able to produce can not be predicted but for the present, at least, the price structure seems likely to hold.

One of the most encouraging aspects of the steel industry at this time is the greatly improved demand for heavier grades of steel. The heavy takings of tin plate and sheets and strip, reflecting the sustained activity in the manufacture of tin containers and automobiles, have long been the bright spot in the industry but the current year has been featured by a broadening demand from other important steel consumers. Makers of agricultural implements, tractors and industrial machinery have accounted for a substantial increase, as have manufacturers of railway equipment and other miscellaneous users. A marked gain in building activity has found reflection in increased demand for structural steel this year and while there is

no likelihood of a major building boom at this time, government and industrial projects will doubtless have a sustaining effect upon this important outlet. Of particular significance have been the large contra-seasonal orders from the railroads, which normally would not be entered until late October or November. In the circumstances, it is probable that orders from these various sources will do much to take up the slack occasioned by the let-up in the automobile industry prior to the introduction of new models and the beginning of the 1936 production season. The optimism generated in the industry by the late turn of events has resulted in several sharp advances in scrap prices, one of the most sensitive indexes of the industry.

In the first six months of the current year, fifteen of the leading steel producers, representing 86% of the total

capacity of the industry, reported aggregate profits of \$17,930,000, an increase of 13% over the corresponding months of 1934. The ability of the industry to achieve larger profits, in spite of a decline of 2% in output may be credited not only to the increased demand for alloy and light rolled products, but to increased efficiency as well. The showing this year conclusively indicates that the industry is well able to avoid "red" operations when output averages better than 40% of capacity. As to the outlook for the balance of the year, it is safe to predict that results will compare very favorably with last year, without, however, approaching anything resembling a boom. The industry remains essentially one of future promise—promise predicated upon the huge accumulated demand for capital goods of every description through obsolescence and wear.

Position of Leading Steel Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Acme Steel.....	3.11	2.65	2.85	62½	51	61	2.25(a)	3.7	B-1	Earnings aided by demand for lighter steel products. Additional extras probable.
Allegheny Steel.....	1.00	0.88	1.10(e)	30½	21	27	1.00	3.7	B-2	Maker of high quality alloy steels. Current earnings may warrant higher dividend.
American Rolling Mill....	0.50	1.14	1.40	25	15¼	25	.....	.....	B-2	Specializes in sheet steel. Earnings recovery would warrant dividend resumption.
Bethlehem Steel.....	Nil	Nil	Nil	37¾	21½	36	.....	.....	B-2	Earned \$1.28 on preferred in 1st 6 months vs. 2.72 last year. Additional payments on preferred likely.
Blaw-Knox.....	0.03	0.08	0.22	13¾	9¾	12	.....	.....	B-3	Depends largely on recovery of demand for heavier steel products. Divs. unlikely this year.
Byers, A. M.....	Nil	Nil	Nil	20¾	11¾	16	.....	.....	B-3	Operations still showing a loss due to restricted demand for pipe.
Crucible Steel.....	Nil	Nil	Nil(e)	25¼	14	24	.....	.....	B-3	Specializes in high speed, tool and alloy steels. Finances sound. Shares have speculative merit.
Gulf States Steel.....	Nil	0.61	Nil	24	12	20	.....	.....	B-3	Dividends not an early prospect. May ultimately merge with Republic.
Inland Steel.....	3.10	2.69	4.05	86¼	46¼	84	2.25(a)	2.6	B-1	Wider diversification of output aids earnings recovery. Further extras probable.
Jones-Laughlin.....	Nil	Nil	Nil	30¾	18	26	.....	.....	B-2	Losses reduced and finances sound but pfd. arrears of 19.50 preclude early action on common.
Ludlum Steel.....	0.76	1.14	0.99	23½	12¾	21	.....	.....	B-3	Benefiting by demand for stainless and alloy steels. May pay modest dividend.
McKeesport Tin Plate....	6.19	2.78	3.46	123	90½	120	4.00	3.3	A-1	Earnings would readily support a higher dividend.
National Steel.....	2.80	1.96	3.04	65	40¾	65	1.37½	2.1	B-1	Company's record outstanding. Earnings would justify larger extra.
Otis Steel.....	Nil	0.92	1.17	12¼	4¼	11	.....	.....	B-3	Heavy demand from automobile industry aids earnings. Prior obligations preclude common dividends.
Republic Steel.....	Nil	Nil	0.47	18½	9	17	.....	.....	B-3	Leverage factor enhances speculative attraction of common. Divs. not imminent.
U. S. Pipe & Fdry.....	0.29	Nil	0.22	22	14¾	19	0.50	2.6	B-2	Earnings recovery restricted by delay in public works projects. No change in dividends.
U. S. Steel.....	Nil	Nil	Nil	43¾	27½	42	.....	.....	B-2	More complete recovery depends on broadening demand for heavy steel. No change in pfd. divs. at this time.
Wheeling Steel.....	Nil	Nil	1.18	24¾	14¼	23	.....	.....	B-3	Preferred accumulations obscure div. prospects on common.
Youngstown Sheet & Tube	Nil	Nil	Nil	26¾	13	25	.....	.....	B-3	Finances sound but common some distance removed from dividends.

(a)—Including extras paid this year. (e) Estimated. NF—Not available.

Fall Prospect More Encouraging for Most Metals

THE termination of N R A was followed by a decline of a full cent in the price of copper which for more than a year had been stabilized at 9 cents a pound. Moreover, the abandonment of the code left from 20,000 to 50,000 tons of metal hanging over the market. The implications of this situation, however, are not as unfavorable as might appear offhand. While, undoubtedly, profit margins will be impaired in the final six months this year,

lower prices have stimulated sales and, in fact, on occasion selling activity has suggested the possibility of an impending price increase. Producers, however, have apparently preferred to discourage a temporary surge of forward buying, preferring to keep prices at their present level in the interest of stabilizing consumption. In the first half of the year stocks of refined copper in North America were reduced from 350,000 tons at the beginning of the

f \$17,
months
larger
may be
py and
s well.
at the
output
outlook
results
, how-
indus-
promise
capital
wear.

year to about 279,000 tons and current stocks are equivalent to about a seven months' supply. In the meanwhile, production is being held to around 25,000 tons monthly, or about 25% of domestic capacity. The 4-cent tariff has been continued for two years to July, 1937, and this protection against the invasion of foreign copper should enable domestic producers to further strengthen their statistical position. Stocks of copper in consumers hands are small and the anticipated fall upturn in general business augurs well for sales volumes in the closing months of the year. With late political events favoring the utilities, prospects for this important outlet for copper have improved, and the large scale production of new automobile models should contribute to enlarge copper sales in the coming months. On the whole, it is probable that copper company earnings for 1935, if not materially larger than last year, will at least compare favorably with 1934 results.

Lead and Zinc Strong

The price of zinc is at its highest level for the year, while the price of lead is only slightly lower than the high point last May. There has been some improvement in the statistical position of both metals, aided by increased consumption and restricted production. Although lead stocks are still burdensome, they are concentrated in strong hands and constitute no threat to the price structure, while zinc

stocks are only equivalent about three month's supply. In the circumstance, earnings of zinc and lead producers in the final half of the year should improve upon the somewhat restricted results in the first six months.

Still Potentialities in Silver

Whatever the economic consequences of the Government's silver-buying program, it has been conclusively demonstrated that the Government has no intention of permitting the world price of silver to suffer any serious break. Although silver purchases by the Government have slowed down in recent weeks, the potential purchasing power of the Government under the Silver Purchase Act is enormous, and there are many who feel that inevitably silver prices will ultimately reach the limit, \$1.29 an ounce. Domestic producers are currently receiving 77.57 cents an ounce for newly mined silver, but the heavy Mexican production tax is having a restricting effect upon silver producers in that country.

With gold prices stabilized at \$35 an ounce, there has been little change in the earnings of leading producers, although the general policy of treating lower grade ores has reduced current earnings moderately. Until there is more evidence of increased costs than is currently at hand, leading gold companies should experience little difficulty in maintaining profits sufficient to support the generous dividends which most of the gold shares pay.

Position of Leading Metal Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Alaska Juneau.....	1.28	NF	NF	20 1/8	15 1/8	16	1.20(a)	7.5	A-3	Labor difficulties have curtailed current ore recovery. May reduce extra.
American Metal.....	Nil	Nil	.07	21 3/8	13 1/2	21	....	....	C-3	Reducing debt and strengthening financial position. Dividends still some time away.
Amer. Smelt. & Ref.....	1.63	1.07	1.20(e)	47 1/8	31 3/8	43	....	....	B-1	Accumulations on 2nd Pfd. reduced to \$6. Common may resume next year.
Anaconda.....	0.22	0.34	0.65(e)	18 1/8	8	16	....	....	C-3	Steadily reducing bank loans and strengthening working capital, but divs. unlikely for some time.
Cerro de Pasco.....	1.58	NF	NF	63 3/4	38 3/8	58	4.00	6.8	C-2	Current earnings aided by higher silver prices and increased foreign demand for copper. No change in dividends.
Dome Mines.....	4.07	NF	NF	43 1/2	34 1/8	37	4.00(a)	10.8	A-2	Current operating income practically on a par with 1934. Dividends secure.
Homestake.....	28.29	NF	NF	412	338	385	26.00(a)	6.7	A-1	Will probably continue policy of paying \$1. regular and \$2. extra monthly.
Howe Sound.....	3.57	2.13	1.92	56	43	43	3.00	6.2	C-2	Depressed prices of non-ferrous metals partly offset by higher gold and silver prices. Divs. reasonably safe.
Hudson Bay Min. & Sm.....	0.58	NF	NF	16 1/4	11 1/2	15	0.50	3.1	C-2	Initial dividend reflects gain in gold and silver prices. Shares now sole capital obligation.
International Nickel.....	1.13	0.62	0.65(e)	29 3/8	22 1/4	23	0.80	2.9	B-1	Recent increased dividend well supported.
Kennecott Copper.....	0.53	0.36	0.30(e)	21 1/4	13 3/4	20	0.60	3.0	C-2	Present dividend reasonably secure but any increase must await higher copper prices.
Lake Shore Mines.....	5.07(b)	NF	NF	58	48	50	4.00(a)	8.0	A-1	Report for past fiscal year should show ample coverage for present regular and extra dividends.
Magma Copper.....	1.58	1.14	1.00	36	18 3/8	33	1.50	4.5	C-3	Portion of current dividends being paid out of surplus. Higher copper prices would lend security.
McIntyre Porcupine.....	4.63(c)	1.19(d)	1.03(d)	45 3/8	36 3/8	39	2.00	5.1	A-2	Sustained earnings would permit increased dividend or liberal extra.
Noranda Mines.....	2.19	1.42	1.10(e)	43	30 3/4	38	1.00	2.7	C-2	Current earnings lower but finances would permit \$1 disbursement at year end.
Park-Utah Cons.....	Nil	Nil	Nil(e)	6	2 1/4	4	....	....	B-4	Higher silver prices may permit more profitable operations.
Phelps-Dodge.....	0.60	0.39	0.25(e)	20 3/8	12 3/4	19	0.25	1.3	C-2	Further payments in doubt pending improved copper prices.
Silver King Coal.....	0.45	0.25	0.20(e)	19 3/8	8 3/8	14	0.40	2.9	B-3	Large reserves; strong finances. Currently aided by higher silver prices. No change in divs. indicated.
St. Joseph Lead.....	0.34	Nil	0.15(e)	21 3/4	10 1/4	18	0.40	2.2	C-2	Earnings less than dividends, but finances strong and shares have long term merit.
Sunshine Mining.....	0.81	NF	0.65	25	10 1/4	21	1.20	5.9	B-2	Largest domestic producer of silver. Earnings prospects support generous dividend.
U. S. Smelt. Ref. & Min....	8.32	3.43(f)	3.22(f)	124 1/2	95	105	6.00(a)	5.7	B-1	No regular dividend established but may pay as much as \$8-\$9 this year.
Vanadium.....	Nil	Nil	Nil(e)	21 3/4	11 1/4	15	....	....	C-3	Increased costs retard earnings recovery. Dividends not in sight.

NF—Not available. (a)—Including extras paid this year. (e) Estimated. (b) Fiscal year ended June 30, '34. (c)—Fiscal year ended Mar. 31, '35. (d)—3 months ended June 30. (f)—1st 6 months.

Chemicals Discount the Future

Few in the Group Are Cheap Currently, Despite Many Strong Possibilities of Higher Dividends

GLANCING over the list of major chemical companies, probably the first thing to strike the investor is that earning power is very general. There is not a company in the whole list below that is not earning something on its common stock. Indeed, most of them had earning power throughout the whole period of the depression. The second thing that the investor will note is that high price in relation to earning power is equally general. Twenty, or even thirty times annual earnings, is nothing unusual. As for yield—the individual who is examining the chemical industry with a view to obtaining what he has been brought up to believe a fair return on capital had better look elsewhere. Nor does this ignore the many possibilities of extra dividends that exist in the group, for even if they materialize the average return from the chemical stocks will still be low.

It becomes clear, therefore, that the current price of these stocks is not being based on their existing earnings, or upon extra distributions which might be made from such

earnings, but at least partly discounts the earnings and dividends of the future. Whether or not this is being done to an excessive extent is a hard question to answer; so much can be said in favor of the chemicals and only one point against them—the matter of price. If there is any group of stocks that should benefit from an increase in industrial activity, it is this one. Nor does it matter where the industrial improvement takes place, it is bound to help the chemicals, for their output is bought by every other division of industry. Also, it is to be remembered that chemical companies are constantly perfecting new products and improving the manufacture of old. The industry is still growing dynamically and this in itself is valid enough reason why chemical stocks should command a premium over staid organizations whose brightest prospect is little better than that they retain existing business. Thus it would seem that a diversified investment portfolio could well maintain a measure of representation in the chemical stocks, despite the high general level at which they sell.

Position of the Leading Chemical Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Air Reduction	\$4.98	\$2.65	\$3.00	149 $\frac{1}{4}$	104 $\frac{3}{8}$	143	3.00*	2.1	A-1	Further extras or a higher rate can be expected.
Allied Chemical	6.83	NF	NF	162	125	158	6.00	3.8	A-1	No change in present dividend anticipated.
Am. Commercial Alcohol ..	3.87	3.14	1.09(1)	33 $\frac{1}{4}$	22 $\frac{1}{2}$	24	.....	...	A-3	Earnings off sharply. Hardly a near term dividend prospect.
Am. Cyanamid	0.99	0.42	0.59	22 $\frac{3}{8}$	15	21	0.40	1.9	A-3	Revealing better earning power, although present dividend is about as high as can reasonably be expected.
Atlas Powder	2.49	1.70	0.93	44 $\frac{1}{2}$	32 $\frac{3}{4}$	40	2.00	5.0	A-2	Earnings off sharply, but should be able to maintain present dividend.
Columbian Carbon	3.92	2.21	1.46(1)	94	67	90	4.00	4.4	A-1	Has a generous record; may pay an extra.
Commercial Solvents	0.89	0.47	0.41	23 $\frac{7}{8}$	17 $\frac{3}{8}$	19	0.60*	3.2	A-2	Should be no difficulty about present rate and small extras from time to time.
Dow Chemical	3.32a	NF	NF	105 $\frac{1}{2}$	85 $\frac{1}{2}$	101	2.00	2.0	A-1	Does well. A candidate for a higher regular rate or extras.
Du Pont	3.66	1.86	1.74	110	86 $\frac{5}{8}$	110	2.60	2.4	A-1	An extra seems certain.
Freeport Texas	1.75	1.04	0.64	28 $\frac{1}{2}$	17 $\frac{1}{4}$	25	1.00	4.0	B-3	Should be able to maintain usual distribution of 25 cents quarterly.
Hercules Powder	3.94	2.46	2.01	85 $\frac{1}{4}$	71	82	3.00*	3.7	A-1	Earnings off somewhat, but should be well able to take care of regular rate.
Mathieson Alkali	1.20	0.67	0.68	32	23 $\frac{3}{4}$	30	1.50	5.0	A-2	Will probably make effort to continue regular rate even should earnings be somewhat deficient.
Monsanto Chemical	3.20	1.59	1.90	77 $\frac{1}{2}$	55	73	1.00*	1.4	A-1	Has expanded fast. Regular dividend and small extras from time to time expected.
Texas Gulf Sulphur	1.81	1.32	0.90	36 $\frac{3}{4}$	28 $\frac{3}{4}$	34	2.00	5.9	B-3	Earnings off. May be unable to maintain present \$2 rate.
Union Carbide & Carbon ..	2.25	1.01	1.18	65 $\frac{3}{4}$	44	63	1.60	2.5	A-1	Should pay an extra before the end of the year.
United Carbon	3.55	1.65	2.20E	61 $\frac{3}{8}$	46	58	2.40	4.1	A-1	Earnings close to record high. Retired preferred through bank loans and may well wish to liquidate the latter before raising dividend.
U. S. Industrial Alcohol ..	4.03	0.90	0.70	46 $\frac{7}{8}$	35 $\frac{1}{8}$	40	2.00	5.0	A-2	Maintenance of present dividend rate anticipated.
Westvaco Chlorine	1.55	0.83	0.83	23 $\frac{1}{2}$	16 $\frac{3}{4}$	20	0.40	2.0	A-2	Might pay more.

N. F. Not available. a Year to May 31, 1935. *Plus recent extra. (1) First quarter. E Estimated.

Residential Building is Increasing

For Companies Catering to the Industry, Deficits
Are Now the Exception Rather Than the Rule

FROM a state of almost complete stagnation, residential construction has at last commenced to make impressive gains. For the first six months of this year, contracts awarded according to the F. W. Dodge Corp. were almost twice those of the corresponding previous period. Moreover, there is not the slightest doubt that a great deal of repair work and renovation is being carried on all over the country that never appears in public statistics. Evidence to bolster this assumption is to be found in the manner in which paints sales have improved. Paint, of course, goes into new residential construction, but by far the great market is to be found in re-paint jobs.

It is to be noted that of the three main divisions of construction, it is only residential building that is showing increasing activity. Non-residential construction is off somewhat compared with 1934, while public works this year has been carried on at barely half the rate of 1934. This is perhaps the main reason for the wide differences in the degree of recovery reported by the companies which will be found in the table below. Those whose principal activities lie outside the field of residential construction make a much poorer showing than their more fortunate contemporaries whose main business it is to cater to the residential field.

While from the point of view of the country as a whole, it is much better that the upturn should take place in residential rather than other types of construction, it is a situation which makes for differences in earnings and dividend outlook which stockholders would do well to note. It is, however, perhaps even more important that they watch for a change. No one seems quite to know, even the administrators themselves, how the five-billion Public Works Fund will be spent; whether it really will go into substantial public works, or whether it will be dissipated in a glorified C W A whose keynote was as little as possible spent in materials and as much as possible spent for useless work. If such happens the P W A will not spell much nourishment to the construction companies.

The fundamentals are all in favor of continuing activity in residential construction. The depression has resulted in an actual dearth of houses and this, with all the renovation and modernization which needs to be done, makes for a sound basis for steadily, if not spectacularly, rising building volume. The base, of course, has been here for some time, but, with mortgage money now abundant, increasing business activity and public purchasing power, have translated a potential demand into an actual demand.

Position of Leading Building Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENTS
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Alpha Portland Cement...	def	def a	def a	20½	14	17	1.00	6.0	B-3	Doing better, but still continues to report losses.
Am. Radiator & Std. Sanitary...	0.11	NF	NF	17½	10½	17	....	...	B-2	Foreign business good; domestic business picking up fast from a very low level. May make small distribution within near future.
Certain-teed Products....	def	def	def	6½	3½	6	....	...	B-3	Moved into black for June quarter. Large arrears on the preferred.
Devoe & Reynolds "A"....	2.36b	NF	NF	50½	35½	40	1.00*	2.5	A-2	Profit margin lower. Earnings off 25% six months to June, 1935, before federal taxes.
Flintkote "A".....	2.48	def c	0.93c	24¾	11¼	24	1.00	4.2	B-1	Made special capital distribution of \$3 June 1. Regular dividend seems well assured.
General Bronze.....	def	NF	NF	7½	5¼	7	....	...	B-3	Outlook somewhat improved, but does not appear to be near term dividend prospect.
Holland Furnace.....	0.85d	NF	def (2)	14½	5¼	14	....	...	B-3	Business improving.
International Cement.....	1.04	0.55	0.72	33	22¾	30	1.00	3.3	B-2	Does better. Present dividend seems well assured despite some signs of price cutting and foreign competition.
Johns-Manville.....	0.30	Nil	0.71	65½	38½	63	†	...	B-2	Just paid first dividend in years. May pay more later.
Lehigh Portland Cement...	Nil	Nil a	Nil a	17¾	10¾	14	....	...	B-3	Arrears to be liquidated on the preferred.
Minn.-Honeywell Reg....	4.69	0.82	0.97	105	58	102	3.00*	2.9	B-1	May well pay further extras.
Otis Elevator.....	def	def	Nil	22	11½	21	0.60	2.9	B-2	Something earned on the preferred represents improvement. Present moderate dividend should be safe.
Penn.-Dixie Cement.....	def	def a	def a	5½	3	4	....	...	B-4	Outlook for the common stock is beclouded.
Pratt & Lambert.....	1.09	NF	NF	30	23	23	1.00	4.4	A-2	Small, closely held company. Dividend seems well assured.
Ruberoid.....	3.14	NF	1.38e	67¼	41	67	1.00	1.5	B-1	Moving to the "big board." May well pay more before the year end.
Sherwin-Williams.....	5.29f	NF	NF	106½	84	102	4.00	3.9	A-1	Has staged remarkable recovery. Just raised regular dividend to \$4; no reasonable expectation of more within near future.
U. S. Gypsum.....	1.28	0.73	1.14	64	40½	64	1.00	1.5	B-1	Earnings up. May well increase regular rate or pay an extra.
Yale & Towne Mfg.....	0.12	0.13	0.13	24¾	17¾	24	0.60	2.6	B-2	Outlook improved. Present dividend would be maintained.

a—12 months to June 30. b—Year to Nov. 30. c—23 weeks to July 13. d—Fiscal year to March 31, 1935. e—Five months to May 31. f—Fiscal year to Aug. 31. NF—Not available. (2) 2nd quarter. * Plus extras. † Recently paid a dividend; no regular rate.

Foods and Tobaccos Fighting for Volume to Offset Higher Costs

Two Groups Afford Opportunities for Satisfactory Investment Return

DESPITE the fact that they cover a wide and varied field, it is possible to make several generalizations in regard to the food stocks. The majority of them, for instance, are experiencing difficulties with their profit margins. Natural forces, together with artificial governmental schemes, have combined to give primary producers of foodstuffs increased purchasing power through the medium of higher prices. At the same time, millions of consumers have no more—and in many cases less—purchasing power than they had a year or two ago. Thus, we find processors of foodstuffs caught between high prices of raw material and a public that obstinately resists every effort to raise selling prices.

Under such conditions, the public's resistance invariably takes the form of a refusal to buy and processors therefore are given the unpleasant choice of losing volume if profit margins are maintained, or letting profit margins go by the board in an effort to maintain volume. Undoubtedly in the majority of cases the companies have attempted to effect some kind of compromise, with the second of the two alternatives being the course preferred by most organizations.

Packaged Foods Hit

The greatest sufferers from the combination of adverse factors have been the manufacturers of packaged foods. At the same time, the meat packing companies have seen consumption fall off as much as 25% and the only reason that they have made as good a showing as they have, is because the situation in by-products has been satisfactory. Millers of flour have continued to show good earning power; they have been fortunate in the ability to continue making their standard charges, while passing along to the baker the heavy processing taxes. Millers have suffered, however, from some loss of volume. Recovery in the baking industry has been greatly hampered by these processing taxes, other increased expenses, and has resulted

in a state of competition bordering on the cutthroat variety.

The situation in regard to sugar has grown much less satisfactory over the past few months. Uncertainty surrounds the constitutionality of the Jones-Costigan Act which limited acreage for domestic sugars, restricted importations from American possessions outside the mainland, and put Cuba on a quota basis. The trend of sugar prices quite definitely has been downward over the past two months.

Nevertheless, taking the food stocks as a whole—despite the fact that they have had, and are still having their troubles—few groups will show a greater percentage of dividend-payers. True, some of the present rates are not wholly assured, but in these cases any reductions that are effected probably will be moderate and are already discounted in the price of the stock. Thus, the food group, if it can promise no dynamic expansion, can still offer the investor a chance to obtain a reasonably large and reasonably safe return on his funds.

Tobacco Companies

The principal tobacco companies fall naturally into two groups, the cigarette companies and the snuff companies. The cigarette companies, confronted with a really huge rise in the cost of tobacco and increases in the cost of other raw material and in labor, have been fortunate in that cigarette consumption has soared to record heights. In most instances it is thought that larger volume will more than offset increased costs and therefore that earnings will continue more or less satisfactory. There is, moreover, some possibility of a rise in cigarette selling prices. In any event, immensely strong financially, the big cigarette companies are more likely to increase rather than cut dividends. As for the snuff companies, there is not a sign of a break in their record of high and stable earning power, from which the stockholder benefits in the form of liberal regular dividends and frequent large extras.

Position of Leading Food Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Armour.....	0.81a	NF	b	6½	3¼	4	....	...	C-3	High meat prices have cut volume of sales. Position of the common has been bettered by recent refundings, but the issue is not a near-term dividend prospect.
Beatrice Creamery.....	1.31c	0.90d	def e	19	14½	16	0.50†	...	C-2	Disbursements on the common just re-instated; should be continued from time to time.
Beech-Nut Packing.....	4.37	1.67	1.94	92	72	92	3.00*	3.3	B-1	Already paid two 50 cent extras this year; others likely.
Borden.....	1.02	NF	NF	26½	21	25	1.60	6.4	C-2	Present regular dividend seems reasonably well assured.
California Packing.....	3.36c	NF	NF	42½	33	34	1.50	4.4	B-2	No change in present dividend expected within near future.

Position of Leading Food Stocks—Continued

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
Continental Baking "A"...	Nil	Nil	Nil	9	4½	9	....	....	C-3	Dividends have accumulated on the preferred.
Corn Products Refining...	3.16	1.40	1.19	78¾	62	72	3.00	4.2	C-1	High priced corn and importation of competitive starches adverse factors. Present dividend should be safe for a time, however.
Cudahy Packing.....	2.97a	NF	1.76g	47½	40	40	2.50	6.3	C-2	No change in present dividend rate anticipated.
General Baking.....	0.78	0.24	0.33	11¾	7¾	11	0.60	5.5	C-2	Present dividend seems reasonably well assured.
General Foods.....	2.12	1.12	1.11	37½	32¼	37	1.80	4.9	B-2	Earnings stable; should be well able to maintain present rate.
General Mills.....	3.56f	NF	4.12f	70½	59¾	70	3.00	4.3	B-1	Does better. A candidate for a moderate extra.
Hershey Chocolate.....	5.53	2.46	2.37	81¾	73¼	79	3.00	3.8	B-1	A higher rate or extras quite conceivable.
Loose-Wiles Biscuit.....	2.06	1.15	1.10	41¾	33	40	2.00	5.0	C-2	Makes a relatively better showing than its larger contemporary, National Biscuit. Dividend seems well assured.
National Biscuit.....	1.57	0.56	0.53	33½	22¼	31	1.60	5.2	C-2	Competition continues keen, but settlement of labor troubles removes important specific difficulty.
National Dairy Products...	0.93	0.56	0.49	17½	12¾	15	1.20	8.0	C-2	Dividend cannot be considered completely safe.
Penick & Ford.....	3.80	1.25	1.29	81	64½	75	3.00	4.0	C-1	Hampered in the same way as Corn Products, but no near-term change in dividend rate is expected.
Pillsbury Flour.....	2.91f	NF	2.80f	35¾	31	33	1.60	4.8	B-1	Appears to be well able to pay present regular dividend.
Purity Bakeries.....	0.27	0.16h	0.23h	14¾	8¾	14	1.00	7.1	C-2	Maintenance of present regular dividend expected.
Standard Brands.....	1.06	0.64	0.41	19¾	13¾	14	1.00	7.1	B-2	Recent earnings off. Present dividend cannot be considered wholly safe.
Swift.....	1.02a	NF	NF	19¾	14¾	16	0.50*	3.1	C-2	Present dividend is conservative, although no near-term change is expected.
Swift International.....	3.75	NF	NF	36¼	31	33	2.00	6.1	C-2	Packing companies have experienced certain difficulties with the Argentine Government. Present dividend seems reasonably well assured, but the more distant outlook is not unclouded.
United Biscuit.....	1.85	0.98	0.68	26½	20¼	24	1.60	6.7	C-2	Current liberal dividend appears to be no more than fairly safe.
Ward Baking "A".....	Nil	def	Nil	10¼	5	9	....	....	C-3	Dividend accumulations on the preferred.

a—Year to Oct. 27. c—Year to Feb. 28, 1935. d—Six months to Aug. 31. e—Three months to May 31. f—Year to May 31, g—Oct. 27, 1934, to Feb. 23, 1935. h—Sixteen weeks to April 20. NF—Not available. * Plus extras. † Paid this year.

Position of Leading Sugar Stocks

Company	Earned Per Share			Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1934	1st 6 mos. '34	1st 6 mos. '35	High	Low					
American Crystal Sugar...	\$2.15a	NF	NF	17¾	6½	14	....	....	C-3	Has done better. Capital reorganization effected to liquidate large accumulations of dividends on the old preferred.
American Sugar Refining...	3.56	NF	NF	70½	54	56	2.00	3.6	C-1	No change in present dividend anticipated.
Central Aguirre Associates.	2.96b	NF	NF	29	22¼	26	1.50	5.8	C-2	Well managed organization. Current dividend fairly well assured.
Cuban-American Sugar...	def c	NF	NF	8½	5¾	6	....	....	C-4	Large arrears have accumulated on the preferred.
Fajardo Sugar.....	29.37b	NF	NF	105	71	86	3.00†	....	C-2	In June made first distribution since 1929.
Great Western Sugar.....	2.61d	NF	NF	32¾	26¾	30	2.40	8.0	C-2	Near term outlook somewhat beclouded. Company, however, is rich and the dividend fairly well assured.
Guantanamo Sugar.....	def e	NF	NF	2¾	1	2	....	....	C-4	Large arrears on the preferred.
Holly Sugar.....	8.92e	NF	NF	70	30	60	....	....	C-2	Arrears on the preferred being liquidated; as of August 1 they totaled \$10.50 a share.
National Sugar Refining...	1.04	NF	NF	35	25¾	30	2.00	6.7	C-2	Latest earnings indicate that dividend cannot be considered wholly safe.
South Porto Rico Sugar...	1.95c	NF	NF	28¾	20	24	2.00	8.3	C-2	Some reduction in the present dividend seems not unlikely.

a—Year to March 31, 1935, adjusted to new capitalization. b—Year to July 31. c—Year to Sept. 30. d—Year to Feb. 28, 1935. e—Year to March 31, 1935. † Paid this year.

Position of Leading Tobacco Stocks

Company	Earnings Per Share		Price Range		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1933	1934	High	Low					
American Snuff.....	4.12	4.05	76	63	75	3.00*	4.0	B-1	A candidate for additional extras from time to time.
American Tobacco "B".....	3.00	4.46	100¾	74¾	100	5.00	5.0	A-1	Soaring cigarette consumption is probably offsetting greatly increased costs. Dividend seems safe.
Helme, G. W.....	7.43	7.45	141	127	135	5.00*	3.7	B-1	Will probably pay at least the usual \$2 extra towards the end of the year.
Liggett & Myers "B".....	4.84	5.92	122	93¾	121	4.00*	3.3	A-1	Should be well able to pay the customary \$1 extra at the end of the year.
Lorillard P.....	0.89	1.15	24½	18½	24	1.20*	5.0	A-2	May possibly pay a moderate extra within the near future.
Reynolds Tobacco "B".....	2.11†	2.15	55	43¾	55	3.00	5.5	A-1	No change in present dividend expected.
U. S. Tobacco.....	7.03	7.09	140¾	119¾	136	5.00*	3.7	B-1	A strong candidate for the payment of additional extras. Possesses large diversified investment portfolio.

† Includes \$5,000,000 profit from sale of securities. * Plus extras.



Market Indicators

For Profit a

Truck Sales Improve

The fact that people have bought a really remarkable number of new automobiles this year is clearly visible on every highway in the country. It may be somewhat less patent, however, that the truck business has been pretty good too. For the first six months of this year, new truck registrations were almost 31% ahead of the first half of 1934. The "Big Four" in the truck field are Ford, Chevrolet, Dodge and International Harvester—in that order. The fact that White, Mack, Brockway, Autocar and others were registered in smaller number this year than last indicates that the demand for heavy vehicles is still far from what might be desired. With construction on the up-trend, however, the outlook for the heavy division of the industry is not unpromising. The truck regulation bill, just passed by Congress, will not, it is believed, have any adverse effect upon the manufacturers of these vehicles, for it applies to common carriers, not to privately owned and operated trucks which are in a vast majority.

* * *

Larger Dividends

The action of General Motors in putting its stock on a regular \$2 basis and declaring a 25-cent extra to boot—\$32,000,000 in one distribution—was a fitting climax to the many increased dividends and extras that have been declared recently. Just prior to this, Chrysler had declared a 25-cent extra, payable September 30, concrete evidence of activity in the automobile industry, near boom-time levels. The two steels, Inland Steel and National Steel, are to pay extras, the former 25 cents and the latter half this sum. Caterpillar Tractor, with earnings of \$1.55 for the half year, apparently could well afford the 25-cent extra which was declared in addition to the regular quarterly dividend of 25 cents; the

same may probably be said of the Archer-Daniels-Midland 25-cent extra, although the latter has published no earnings for a period more recent than last March. Then, of course, there was the initiation of dividends by Westinghouse Electric with a declaration of 50 cents on the common; while International Nickel has just voted 20 cents, as against 15 cents declared for the four previous quarters. Timken Roller Bearing's earnings of \$1.87 cents a common share for the first six months of this year must have been gratifying to stockholders, and still more gratifying must have been the 50-cent extra which they are to receive September 5.

* * *

Utilities Look Up

Despite the fact that the Wheeler-Rayburn Bill still pends and that if any measure at all is passed it will be drastic enough even though it lacks the "death sentence," public utility stocks have been the feature of the market recently. The volume in some of the low-priced issues, such as General Gas & Electric, United Corp. and Commonwealth & Southern, has been really huge for the present type of market. What is to be the ultimate fate of the holding companies is, of course, a matter much too uncertain, under the circumstances, about which to hazard a guess. Nevertheless, with electric power output at new all-time record highs, it must be admitted that the fundamental base for improvement among the utilities could hardly be bettered; it is just a case of whether political meddling can deprive an industry of its just deserts, or leave it any deserts at all for that matter.

* * *

The Amusements

With Paramount-Publix emerging as Paramount Pictures from the "wring-

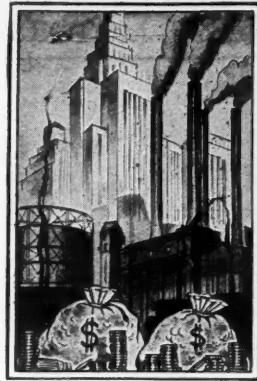
er," which reduced financial obligations of nearly \$300,000,000 to about 20% of this figure, and with Warner Brothers Pictures moved from the "red" to the "black," the amusement industry, as an industry, becomes financially respectable again. Loew's and Columbia Pictures, of course, never appeared in serious trouble, but the latter is small and Loew's by itself could never be said to represent the industry. The improvement in general business which has given the public a greater amount of money to spend and the serious efforts being made by the amusement companies to turn out real entertainment without reckless disregard of costs has greatly improved the outlook for the amusement companies. With every expectation of further gains in business and with no reason to expect that the companies will return to their old bad habits, it is a reasonable expectation that the industry will do still better.

* * *

Floor Coverings

Although not an industry of dynamic promise, the sharp rise in residential construction and the extensive renovation and modernization being done throughout the country provides reason enough why the floor-covering stocks as a group hold close to the high price of the year. Armstrong Cork, a newcomer to the New York Stock Exchange and the largest producer of linoleum in the United States, reported earnings equivalent to \$1.26 a share of common stock for the first six months of this year, compared with \$1.16 a share in the corresponding previous period. The issue currently is selling slightly under \$30 a share and the usual distribution is 12½ cents a share quarterly. Congoleum-Nairn's income of \$1,356,088, equivalent to \$1.11 cents a share of common stock for the first six months of 1935 was virtually unchanged from the \$1,346,174 re-

The Stockholder



t and Income

ported for the first half of last year. More than usually strong in cash and marketable securities, it would seem that Congoleum might well afford an extra over and above the regular distributions which are at the rate of \$1.60 a share annually. Mohawk Carpet, manufacturer of an extensive line of carpets and rugs, reported for the first six months of this year net profit of \$328,684 after depreciation, taxes, etc. This was equivalent to 60 cents a share on the outstanding common stock and compared with earnings equivalent to 43 cents a share in the corresponding period of 1934. Previously the company had given warning of improved business by declaring a 25-cent dividend in June, it paid a similar amount in September, 1934, prior to which no distribution had been made to stockholders since March, 1930. Bigelow-Sanford Carpet appears to represent the inevitable exception. During the first half of 1935 the company sustained a net loss of \$320,582, compared with a net profit of \$214,891 in the first six months of 1934.

* * *

The Oil Outlook

Many times over the past few years, the oil industry has given great promise of better things, only to prove a grievous disappointment to the myriad holders of its securities. While it is not known whether the currently improved outlook will go the way of the others, certain it is that at the present time there are justifiable grounds for a certain restrained optimism. Gasoline prices have moved forward and are steady at the higher levels. Currently, there is no over-production of crude; indeed it is running below demand for the country as a whole. At the same time, there is every indication of a sensible Federal oil bill being passed shortly; a bill giving the states and the industry plenty of leeway, but providing for federal co-operation without

excessive policing powers. As a reflection of these improved conditions, oil stocks in general have behaved better marketwise. There have been exceptions, of course, notably the depressing effect which a reduced dividend had on Socony-Vacuum, although one might consider this offset by the excellent report issued by Phillips Petroleum for the half year, which brought great firmness to the stock of the latter company. It is worth noting in regard to the oil stocks that the companies with relatively large reserves have done considerably better than those whose reserves are small.

* * *

Unusual Refunding Feature

Goaded by the complaints of small investors who were having their securities called without being given any opportunity to subscribe to new issues, John J. Burns, general counsel to the S E C, made a speech in Cincinnati the other day in which he said that the Commission was seeking to remedy this situation. A week later the registration statement of the Philadelphia Suburban Water Co., covering 4% bonds which were to be used to refund 4½% and 5% issues, contained the unusual provision that for five days after the registration became effective the new bonds would be exchanged for those called. This, it seems, is a very constructive development; even though the small investor be obliged to accept a reduction in his income, at least he is given an opportunity to continue his interest in a company that he knows and likes.

* * *

Mail Orders Do Well

The stocks of Sears, Roebuck and Montgomery Ward have been strong and active—and with very good reason. For the 24 weeks ended July 16, Sears,

Roebuck reported sales of \$178,000,000, compared with \$141,000,000 in the corresponding previous period. For the more recent period, net profits totalled \$9,071,071, after all charges but before Federal taxes, the largest for such a time in the history of the company. Montgomery Ward's sales for July registered a new all-time high for this month. For the first six months of the company's present fiscal year, sales amounted to \$133,000,000, against \$111,000,000 last year, a gain of more than 20%. Although it is hardly fair to say that Sears and Ward are dependent solely on the farmer, they nevertheless do derive a great deal of business from rural districts which have been the principal beneficiaries of the Government's largesse. In any event, their showing is in sharp contrast to the comparatively small gains made by retail trade in such centers as New York, for example.

* * *

Strange Market Performance

The recent break in the stock of Mesta Machine which carried the issue from a high of 33½ to a low of 26¾ in two days remains, for all that one can discover so far, a mystery. Having registered its low, the stock quickly snapped back above 30. Officials are reported to have said that operations were at a high level and earnings quite sufficient for the payment of the regular \$1.50 dividend. Nor is there any outside evidence to dispute this; indeed, everything confirms its correctness. The machine tool industry continues almost to boom and there is no reason to suppose that Mesta, a leader in its field, should not continue to obtain its share of the heavy equipment business. The stock's action revived talk of pools and manipulation, but this is far from a satisfactory explanation, now that the Securities and Exchange Commission is on the job.

Holding First Place

Stabilization of Costs Lifts Profits
as Sales Leadership Is Maintained

By LAURENCE STERN

Sales\$10,258,663,490
Profit 1,570,956,384
Common dividends 1,079,352,000
Surplus income....449,332,838

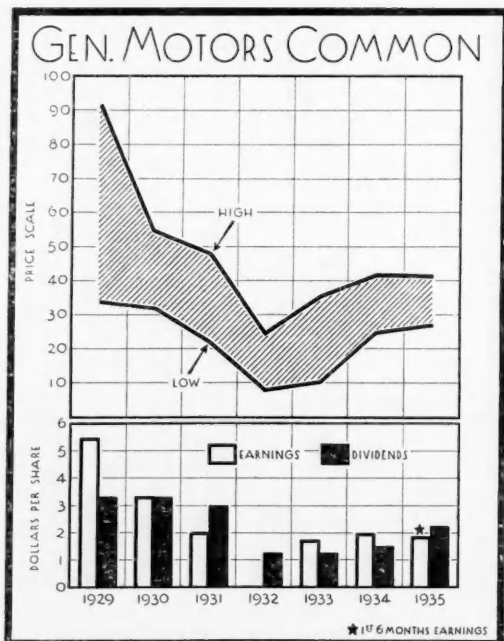
NO, this is not a discussion of the Reconstruction Finance Corp. or the New Deal budget that we introduce with the above astronomical figures. It is part of the record of the General Motors Corp. that those figures high-spot—the record of the ten years 1925-1934, with the first six months of 1935 added. Nothing in the annals of industrial history can match it.

Of course, one could go back further and pile the statistics still higher, for General Motors has been making cars and profits since 1909 and has encountered red ink in only one year of these twenty-seven, the year 1921. But to append more hundreds of millions to the ten-year record would add nothing to its interest and would merely intensify the mental fatigue one experiences in footing up such sums.

Perhaps the record can be compressed into a more easily comprehended statistical nut-shell of what General Motors is and what it has accomplished by observing that in recent years this company produced approximately 40 automobiles out of every 100 sold in this country, as compared with 34 out of every 100 in 1929 and only 16 out of every 100 in 1920.

The Competitive Race

In short, General Motors, with a tremendous business, a tremendous working capital and a first rate management, can fairly be regarded as the



"big gun" of the throbbing, intensely alert, extremely competitive motor industry—but let no one imagine for a moment that it can coast from this point onward or that it rules supreme in a field of pop-gun competitors. There are other "big guns" in the industry, to wit: Ford and Chrysler. They are formidable competitors. Each knows how to make and sell good automobiles. Each is nicely heeled with working capital. Each, like GM, is equipped with first rate management.

And so it is that any intelligent consideration of the position and prospect of GM must center chiefly on its competitive relationships and its profit ratios. There is nothing else—no problem of financial condition or management—that need concern one contemplating the possible purchase of this

stock for investment or speculation.

Since production statistics are easily obtainable and over a reasonable period approximate sales, the variations in production in American plants during recent years offer convenient and sufficiently accurate data on the relative trade positions of the leading motor makers.

So examined, it will be seen that GM in 1929 made about 34 out of every 100 cars turned out in this country; Ford, 35; Chrysler, 8; and all others, 23. In the following year GM made 33 out of every 100; Ford advanced his share to 43; Chrysler held its place at 8; and all others dropped to 16. The year 1931 saw the two leaders reverse position, with GM at 42 and Ford down to 30; while Chrysler advanced to 12 and the independents remained at 16.

In 1932 GM made 37 out of every 100 cars and Ford, 32; Chrysler stepped up to 16 out of every 100, and the independents slipped to 15. The first year of recovery, 1933, put GM at 40, dropped Ford to 25, saw Chrysler make 23 out of every 100 cars and pulled the independents down to 12. Last year GM held its ratio at 40; Ford recovered to 28 as his V-8 began to find favor; Chrysler slipped a trifle to 21; and the independents made a new low of 11 out of every 100 cars. On this year's figures to date, it is a reasonable estimate that GM will make about 36 cars out of every 100; Ford, 33; Chrysler, 21; and all others about 10.

Trade Position Maintained

These ratios and the variations in them show several pertinent things.

First, over the seven years covered G M has maintained a relatively stable trade position and at present has a moderately bigger share of the total market than it had in 1929. Ford's percentage has fluctuated much more sharply, as is not surprising since this was the period in which Mr. Ford turned his back on the old Model T and "shot the works" first on the Model A and later on the V-8s in an effort to regain a former trade position. He has met with considerable success, though the indications are he will close this year with a moderately smaller percentage of the total market than he had in 1929.

Chrysler's performance, it need hardly be said, is a phenomenal one. Its ability nearly to triple its share of the market in a period of acute depression and under the keenest of sales rivalries speaks volumes as to the caliber of the competition that it offers the rest of the industry, including G M. While Chrysler's biggest share of the market was reached in 1933—a bad year for Ford—this company's position has been maintained rather well up to the present.

There is nothing in the record to suggest that any of the independents will ever again prove a major competitive threat to the Big Three. It is among these "other cars" that the biggest inroads have been made by the comeback of Ford and by the advance of Chrysler. Competition from the latter two has not yet cut into G M's share of the market, relative to 1929, but has cut into it at least moderately in comparison with 1933 and 1934 results.

On the whole, with the market concentrating more and more in the three companies, it can be held both that G M has come through the battle with colors undipped and that under present or better conditions there should be enough business for all three, with profit.

Nevertheless, one must face the fact that in this intense three-cornered competition and in the speed with which public taste for this or that car can change we have a highly speculative element that must be closely watched, even as applied to the powerful G M. The fact is that the full story of this triple battle has not yet been written by any means, and one would be making only a wild guess in saying that G M's share of the mar-

ket for the next several years will be so-and-so, with this much for Ford and that much for Chrysler and a few crumbs for the rest.

Ford's leap to the V-8 is still relatively a new thing. It is open to question whether in this car or otherwise G M has yet felt the maximum competitive pressure from Ford. Chrysler's place as a motor giant has been attained in a very few years. Its competitive potentialities also are beyond any ready estimate. Finally, it is not beyond the realm of possibility for one or another of the independents to find renewed favor in the middle-price field as times get better and demand spreads up from the cheapest cars. Several independents still possess ample working capital with which to make a further fight for life.

None of which is by way of invidious comment on G M—which, in this writer's opinion, will continue to hold the dominant place—but all of which emphasizes some inherently speculative characteristics of the industry and any unit in it.

Next to getting the business, the most important thing is to make adequate profits on it. This has not been easy under the wage and hour changes and higher costs of materials ushered in by the New Deal. For the motor industry the recovery in sales volume last year out-ran the recovery in profits, and this was especially true in the case

quarter of 1934, while dollar volume of sales was higher by about 20%. In the second quarter of this year, however, a favorable relationship between sales gains and profits was re-established, evidently a stabilization of costs having permitted earnings to respond more normally to rising volume of sales. As a result the experience of the first quarter was reversed, for while sales were 10.8% above the comparable period of 1934, profits were 29.7% larger than in the 1934 quarter. For the half-year, earnings were equal to \$1.85 per share of common, against \$1.51 per share in the first half of 1934.

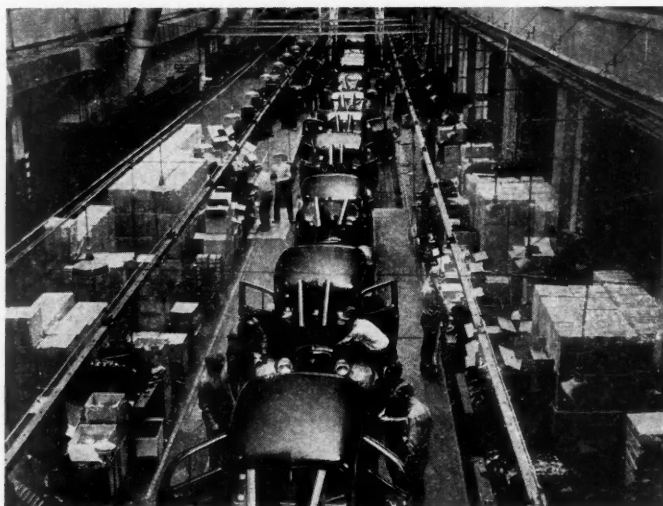
The registration statements of G M and Chrysler to the SEC make available for the first time some authoritative data on profit margins and afford an interesting comparison. Unfortunately, similar figures for the Ford Motor Co.—a family possession—are not available. G M retains as profit a much larger percentage of each dollar of sales than does Chrysler. In the second quarter its ratio of net earnings to sales was 15.2%, against 13% in the second quarter of last year. For the half year the corresponding ratio was 14.1%, against 13.4% in the first half of 1934.

On the other hand, Chrysler's net per dollar of sales was only 6.5% in the second quarter, against 3.6% a year ago; while for the half year it was 6.3%, against 3.5% for the first half of 1934. The differential in favor of G M is apparently due to its higher degree of integration—which makes possible more profitable manufacturing operations—and also to income from investments, which represent some 33% of net tangible assets, against only 8% in the case of Chrysler.

The registration statements show that out of each dollar of sales in 1934 G M obtained a gross profit of 22.2 cents and an operating profit of 11.4 cents after maintenance, depreciation, etc. The comparable figures for Chrysler were 9.7 cents and 3.7

cents. So far as concerns the percentage of each sales dollar retained, therefore, Chrysler is obviously in a more speculative position than G M and would be more promptly affected by changed cost and volume factors.

On the other hand, Chrysler has the
(Please turn to page 465)



Chevrolet Assembly Line in the Flint Plant

of G M. Its net sales of \$843,807,849 represented a gain of approximately 48% over 1933 sales, but net profit of \$94,940,770 was up only 15%.

Profits again failed to keep pace with sales gains during the first quarter of this year, net of \$31,510,371 being 7.5% above the figure for the first

Low-Priced Stocks Undervalued on Earnings and Prospects

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Douglas Aircraft Co.

Within the past two years the Douglas Aircraft Co. has emerged from a comparatively unknown manufacturer of military and naval aircraft to one of the foremost makers of transport planes. Chiefly responsible for this new step in the company's progress

Earnings Per Share		Dividend	Recent Quotation
1934	1st 6 mos. 1935		
\$0.08	\$2.00	None	\$30

were the outstanding achievements of an able engineering staff in the development of a new type transport plane, rated as considerably more efficient and safer than the various types of transport planes previously obtainable. Last year the company sold eighty-nine of these new planes, known as the DC2, and it is conservatively estimated that total sales will have risen to 150 by the close of the current fiscal period. Last year, the sale of commercial planes accounted for 75% of the \$5,300,000 record sales, while government sales of \$1,300,000 were the lowest since 1926.

Yet despite the new high level reached in sales last year, actual earnings of slightly less than \$39,000 were less than in 1933. The failure of profits to make a better showing may be almost wholly accounted for by the heavy expenses incurred in the development of the new transport plane, and which were conservatively charged against earnings. The first one cost the company around \$307,000 and it is understood that Douglas did not break even on the DC2s until 75 had been sold. In the circumstances profits in the current year will make a much better showing, aided by higher prices now being obtained for the DC2, than those originally paid by T W A which purchased most of the first models. Also there has been an important gain in orders for government planes and for the full year total sales may add up to as much as \$8,000,000.

Sales in the six months to May 31, last, totalled \$5,500,000 and net profit of \$936,002 for that period was equal to \$2 a share on the 467,403 shares of stock which comprise the total capitalization. In the corresponding period of last year, the company showed an operating loss of more than \$230,000. Unfilled orders as of July 10, last, amounted to \$3,900,000 as compared with \$4,225,000 the end of February. Current assets at the end of the latest quarter were \$4,719,618, including \$2,118,619 cash, while current liabilities were only \$311,214.

In connection with the company's sharp rise in earnings this year, it is necessary to note that it has been favored by a combination of favorable circumstances which may not again prevail in the near future. Replacement demand has been an important factor, and the company may count itself fortunate if it sells 200 DC2s, before new developments displace this model. Looking to the future, on the other hand, the company has clearly established itself as one of the leading and more progressive manufacturers and its increasing sales volume abroad is a significant factor. So that it is safe to assume that Douglas may be counted upon to keep well abreast of the development of the aviation industry. The shares, while speculative, possess many desirable attributes for participation in a comparatively young and growing industry.

Ferro Enamel Corp.

Judged by comparison with the average industrial corporation with which the average investor is familiar, the Ferro Enamel Corp. is not large. Yet in its field of manufacturing and selling porcelain enamel, the company ranks as one of the largest in the world. Further, the company's depression record compares very favorably with many larger organizations.

Ferro Enamel supplies the entire vitreous porcelain enamel requirements for an extensive list of concerns

engaged in the manufacture of a wide variety of products, including electric refrigerators, washing machines, gas ranges, etc. In 1933 the company absorbed the Allied Engineering Co., which engages in the erection of tunnel kilns and otherwise serves the ceramic industry, and in 1934 the Stanford Chemical Co. was purchased, this com-

Earnings Per Share		Dividend	Recent Price
1933	1934		
\$1.06	\$1.55	\$0.60	\$25

pany manufacturing electric cleaning and pickling equipment.

Aside from a negligible amount of 6% bonds outstanding, capitalization of the company consists of only 21,036 shares (\$5.50 par) of 5% preferred stock and 121,579 shares of common stock. With this modest capitalization and aided by the relative stability of most of its market outlets, the company was able to come through the depression, with but a single deficit, incurred in 1932 when general business was at its lowest ebb. In the following year, however, profits recovered promptly and net income applicable to the common shares, after allowance for preferred dividends, was equal to \$1.06 a share. Further improvement was witnessed last year, with per-share earnings for the common stock rising to \$1.55. While late earnings for the current year have not been made available, doubtless the company has shared in the more or less general improvement which has taken place.

Despite noteworthy progress in reducing funded debt, the company has maintained a comfortable financial position, and with adequate working capital, was able to give shareholders a larger share of improved earnings by advancing dividends from 40 cents to 60 cents annually. The latter rate, however, bears a conservative relationship to indicated earnings and a further increase would appear easily within the company's ability. At 25, on the New York Curb, the shares admittedly appear to reflect the latter possibility,

as well as discounting better current earnings. Viewed, however, in relation to the company's opportunity to further expand its earnings in a period of general business recovery, and the increasingly broader scope being developed by an active research department, the shares may readily prove a profitable acquisition at this time.

Reynolds Spring Co.

For some years the Reynolds Spring Co. has been one of the principal manufacturers of automobile cushion springs and other types for furniture and upholstery purposes. To that extent the company's industrial position was heavily dependent upon the automobile industry and its competitive success in obtaining contracts from the leading automobile manufacturers. In common with many other manufac-

Earnings Per Share		Dividend	Recent Quotation
1934	1st 6 mos. 1935		
\$1.04	\$1.70	\$0.50	\$23

turers of automobile accessories, however, the company has made definite efforts to reduce its reliance upon a single industry by broadening its scope to embrace other fields. Since the introduction in 1932 of a line of unbreakable household utensils and novelties under the trade name of "Bonnyware", the company has made persistent progress in the development of molded plastics. Not only are these materials widely used for automobile interior hardware trim, but they are extensively used for insulating purposes in automobiles, radios and electrical equipment. A recent advertisement of the company featured such diverse articles as a fishing reel, soap bowl and refrigerator control case—all made of molded plastics. Marked progress has been made with this new manufacturing process and the future possibilities are considered as exceptionally promising. The chances are, therefore, that this division of Reynolds Spring will assume increasing importance. And, in the meanwhile, the automobile industry bids fair to sustain the company's principal activities at a profitable level.

In the first six months of the current year, the company earned the equivalent of \$1.70 a share on its capital stock, as compared with \$1.14 a share in the corresponding months of last year. With only 145,000 shares of stock comprising the entire capitalization, the possibilities of substantial per-

share earnings under reasonably favorable conditions are readily apparent. Dividends were resumed last December and have been continued at the rate of 10 cents quarterly. Recently the company paid an extra of 10 cents and with the probability that results for the full year will exceed the \$1.04 a share earned in 1934, a fairly comfortable financial position would permit additional extra dividends or an increase in the regular rate. Recently quoted at 23, the shares of Reynolds Spring provide an equity in a small but compact company, on a basis which may be regarded as a conservative appraisal of the company's current earning power and longer term prospects.

Distillers Corp.-Seagrams, Ltd.

Despite the fact that Distillers Corp.-Seagrams did not enter the American market with its line of blended whiskies until some months following Repeal, this Canadian company swiftly established itself as one of the leading factors in the domestic liquor industry. Today, the company's "Crown" brands of blended whiskies are credited with outselling competing brands in the United States by a wide margin, and the popularity of these brands has doubtless favorably influenced sales of the company's higher-priced products. In no small measure, the company's suc-

Earnings Per Share		Dividend	Recent Quotation
1934*	1935*		
\$0.66	\$5.00 (e)	None	\$23

*Year ended July 30. (e) Estimated.

cess against keen competition has been due to its sound merchandising and advertising methods developed as a result of its experience in Canada. Adhering to strict price policy, Distillers-Seagrams has acquired an invaluable asset in dealer and customer good will.

Through subsidiaries, the company operates two plants in the United States, having a combined capacity of 20,000,000 gallons of whiskey annually, while Canadian plants have a rated capacity of 10,000,000 gallons annually. The latter, however, have been relegated to a secondary position. Further the company is credited with having the largest stocks of aged whiskies in North America. Nevertheless, the company is under the compulsion of building up supplies of aging liquor, a policy which requires that a considerable portion of working capi-

tal be tied up in inventories. For this reason, dividends to stockholders have been deferred, despite the substantial earning power shown for the company's capital stock. Considerable progress, however, has been made in reducing bank loans and reports have recently circulated that the company may undertake some new financing involving the sale of additional stock.

The company's report covering operations for the fiscal period which ended July 31, last, has not as yet been published, but it is confidently expected that profits will be between \$5 and \$6 a share, which would compare with only 66 cents a share earned in the 1934 fiscal year. Late earnings, however, cannot be regarded as a reliable criterion of future results, inasmuch as they undoubtedly have been abnormally influenced by initial heavy sales to dealers for stocking. Moreover, while there has been no change in the retail prices of the company's largest selling brands, wholesale profit margins may have been reduced somewhat under the pressure of competition. Nevertheless, even if reasonable allowance is made for these factors the more normal earning power of the company will doubtless prove to be high in relation to recent quotations for the shares.

Representing the entire capitalization, the 1,742,645 shares of stock incorporate the speculative risks identified with what practically amounts to a new industry, and which has yet to solve all of its problems. Yet the manner in which the company has convincingly established itself, lends to the shares a desirable element of merit and speculative commitments made with a view to future price appreciation may well prove profitable. It is possible that the shares, now selling on the N. Y. Curb Exchange, may shortly be listed on the "Big Board."

Beneficial Industrial Loan Corp.

The Beneficial Industrial Loan Corp. was formed in 1929 as a holding company engaged in the business of making small loans. The company operates in the two dozen states that have enacted the "Uniform Small Loan Law" which provides that no loan shall exceed \$300, states the maximum interest chargeable, that it shall be paid only on unpaid balances, and that the company's operations in general shall be supervised.

Over the past ten years, the com-

(Please turn to page 468)

Opportunities in Preferred Stocks

Accumulated Back Dividends and Recovering Earning Power of the Company Offer Possibilities for Large Repayments As Well As Price Appreciation and Future Income

PREFERRED stocks continue to elicit considerable investment attention and despite the sizable advances in market value scored by this group, there are still many issues which have by no means exhausted their possibilities, either from the standpoint of potential income or price appreciation. Reference is made, of course, to those issues which were compelled to suspend dividends during the late period of restricted earnings, and on which, by virtue of their cumulative feature, unpaid dividends have accumulated. Such accrued dividends must be paid in full or otherwise compensated for to preferred stockholders, and regular dividends resumed, before common stockholders may expect any return on their investment. In the circumstances, selected preferred stocks in this category have a twofold attraction at this time. They offer the opportunity to obtain a specified dividend to be paid at some future time, at a current discount which may ultimately yield a generous return; while the matter of liquidating back payments lends considerable speculative impetus.

Not all preferred stock issues carry the provision for cumulative dividends, but this feature is incorporated in all of the issues comprising the accompanying list. Confronted with the obligation of liquidating all arrearages and resuming preferred dividends at the full regular rate, before any dividends may be paid to common stockholders, the desire on the part of a company's management take the necessary action toward that end at the earliest possible opportunity can be taken for granted. Aside from the interests of both the preferred and common stockholders, the elimination of unpaid preferred dividends may be safely construed as reflecting a return to profitable operations, with a corre-

sponding strengthening in a company's credit rating.

Already a number of companies have liquidated all or part of accumulated dividends on their preferred shares and have restored regular payments. Barring unfavorable developments in the general business prospect, there is every indication that the list of such companies will be considerably enlarged during the next twelve months. Given the evidence of improved earnings to a point more than sufficient to meet current dividends on preferred shares, the resumption of regular payments at least, is a valid expectation.

It is well for the investor to understand that while it is incumbent upon a company to discharge all accumulated preferred dividends in cash, it would still be possible to circumvent this obligation by appealing to preferred stockholders to accept some other form of compensation. One, perhaps, which would not be so heavy a drain on working capital in the early stages of earnings recovery. In such circumstances, stockholders might be offered additional securities on a basis deemed adequate to discharge back dividends. Such securities might conceivably be in the form of additional preferred stock (which might carry a lower dividend rate) or perhaps common stock. Such proposals as these must each be judged on their own merits, but they are not

necessarily to be regarded as detracting from the merits of a particular preferred stock.

For example, it is within the realm of possibility that the Pure Oil Co., might elect to retire all of its outstanding 8% preferred and liquidate all accumulations by the sale or exchange of 6% preferred stock. Of the latter issue the company has 167,640 shares outstanding at the present time and there are 130,000 shares of 8% preferred outstanding and 2,360 shares of 5 1/4% preferred. In addition, however, the company has authorized and unissued a \$60,000,000 issue of preferred stock which it is free to market with a dividend as low as \$5. Naturally, in order to induce holders of the 8% preferred to give up the higher coupon and back dividends any exchange offer would have to be made on a basis sufficiently attractive to insure its acceptance.

In preparing the accompanying list of preferred stocks an attempt has been made to limit the selection to those issues which offer the more imminent promise. Most of the companies whose preferred shares are represented in the list are currently showing earnings sufficient to meet normal dividend requirements on their preferred shares and which, with any further sustained improvement would be in a position to take favorable dividend action. Some of the issues are currently paying a portion of their dividend, while others have yet to resume disbursements. Accumulated dividends in most instances are not excessive in relation to the rated ability of these companies to take care of them in a period of normal business activity, and their eventual liquidation, therefore, would not appear to present too burdensome an obligation in the months ahead.

Preferred Stocks With Accumulated Dividends

	Earnings Per Share*		Accum. Dividends	Present Dividend	Recent Quotation
	1934	1st 6 mos. 1935			
American Metal Co. \$6.....	Nil	4.29	22.00	2.00(a)	110
Associated Dry Goods \$6 First.	6.98(b)	NF	10.50	6.00	101
Bethlehem Steel \$7.....	0.59	1.28	19.25	1.75(c)	89
Case, J. I. \$7.....	Nil	NF	8.25	4.00	106
Fairbanks, Morse \$7.....	8.59	5.74	21.00	3.50	112
Goodyear Tire \$7.....	5.53	NF	7.50	4.00	79
Pure Oil \$8.....	Nil	11.33(d)	19.50	None	90
Skelly Oil \$6.....	10.65	11.05	25.50	None	91

*On Preferred Stock. NF—Not available. (a) Payable Sept. 3. (b) Year ended Jan. 31, '35. (c) Payable Oct. 1. (d) Estimated for combined preferreds.

Taking the Pulse of Business

- *Steel Operations Advance*
- *Improving Copper Demand*
- *Gasoline Consumption Rises*
- *Sugar Outlook Uncertain*
- *Tobacco Profits Lower*

EXCEPTIONALLY gratifying gains in steel and coal output since our last issue have been chiefly responsible for a further rise in the Business Activity index to near 80% of the 1923-5 average and 11% above last year's level at this time; while check payments, electric power output, car loadings and lumber shipments have also shown unseasonably large expansion. On the other hand, uncertainties for which Washington is responsible have caused some temporary slackening in cotton cloth production while automobile plants have begun to reduce operations in preparation for re-tooling. Since August is normally a month of slackening plant operations, the recent sharp improvement in business throughout the country is not likely to be maintained over the next few weeks; but the outlook for further recovery this autumn remains exceptionally promising.

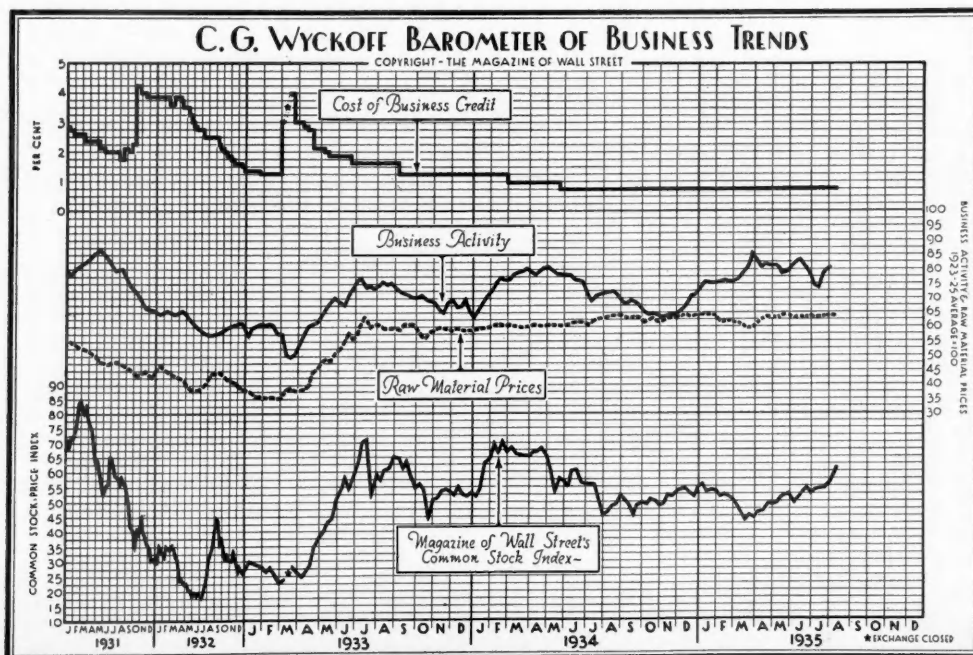
The present economic setting has all the earmarks of a genuine emergence from the long depression. An enormous accumulation of obsolescence is accompanied by unusually low inventories of finished goods, diminishing stocks of raw materials, expanding purchasing power, and rising sales of both consumers' and capital goods. Department store sales in the New York Metropolitan area during the first half of July averaged 3.6% better in dollar volume than for the corresponding period last year, and sales throughout the country for the full month are estimated to have gained 8% to 35%, according to locality. Consumer goods lines will soon begin to feel the additional

stimulus of work relief spending; though President Roosevelt now admits that such projects cannot reach a peak until some time next year. During the past few weeks, there has developed such a brisk demand for merchant-

dise at wholesale that some mills are likely to fall behind on deliveries.

Another growing source of public spending power, which is already greatly helping the fur and jewelry trades, comes from increased dividend disbursements which, in July, were upwards of 30% more liberal than a year ago. Recent reports indicate also that wages have been well maintained generally since the demise of N R A, both on an hourly and a weekly basis; though some lengthening of hours is reflected in an accredited estimate that unemployment in June amounted to 9,804,000—a rise of 1% over May and 6% greater than in June, 1934. Meanwhile commodity prices, all along the line down to Raw Materials, have shown more of a tendency to soften than to advance. Taking the country as a whole, food at retail has sagged 1.1% during the past month. With the cost of living advancing less rapidly than weekly earned incomes, real wages have begun to rise again and are now only 2.5% lower than a year ago. Business payrolls in June were at practically the same level as last year; though employment was off about 1.7%.

Following the great spurt in June, which was partly attributal to efforts at "beating the gun" on scheduled price increases, machine tool orders last month are estimated



to have fallen off a bit, but the first week of August has witnessed another upward surge of new business. Large orders placed by Italy for war supplies other than ammunition have helped machine tools and other heavy industries during the past few weeks. Deliveries have already started on one contract calling for 2,700 trucks. Excess exports of all merchandise in June came to only 13 millions, compared with 34 millions last year; though total exports plus imports showed a gain of about 9%.

With the Cost of Business Credit remaining at the lowest level on record, fractional recessions have taken place in high grade bonds, partly as a result of switching into lower grade issues and into common stocks, the market for which has advanced to new high levels on the present movement.

The Trend of Major Industries

STEEL—Expansion in steel mill operations for the fifth consecutive week since July 4, has brought the ingot rate up to the highest level since March and 40% above last year at this time. Such extraordinary improvement at a season when recession is usually reported has been caused largely by rising orders from miscellaneous sources. Can plants are operating at 90% of capacity; but operations are expected to taper off within a few weeks, just about the time when an increased demand from the automobile industry will put in an appearance. The fact no concession was made on a large order recently placed by Ford encourages the belief that the controversy over price concessions on quantity orders will be settled in favor of the steel mills, and that moderate price advances on some steel products may take place later if demand continues to rise this autumn at anything like the present rate. Scrap prices have been exceptionally strong during the past few weeks.

METALS—Silver is still pegged by Treasury support at 67¾ cents, and little change has taken place in other non-ferrous metal prices during the past fortnight. Domestic lead buying continues in good volume. After a lull of several weeks, demand for copper has again picked up to some extent, and export copper is now quoted at around 7.8 cents c.i.f. European ports.

PETROLEUM—Production of crude during the last half of July was about equal to output for the final half of June. Consumption of gasoline, however, is a little ahead of production, and the industry expects that expanding sales will more than compensate for slightly lower prices and thus enable companies to report better earnings for the third quarter than for the second. Largely as a result of completing the pipe line from the Kirkuk field in Iraq to the Mediterranean, which has permitted shipment of twelve million barrels, world production of crude during

the first six months of 1935 reached the record high daily average of 4,321,000 barrels. House and Senate leaders are in close agreement with the White House on legislation at the present session to permit voluntary intrastate agreements, waiving criminal liability under anti-trust laws; to ban hot oil from interstate commerce; and to sanction an interstate compact for conservation of oil and gas.

SUGAR—The International Sugar Council is reported to have decided against a renewal of the Chadbourne agreement; since it has failed to raise prices because of increased production in non-adhering countries. It is hoped, however, to call a world conference later in which all producing countries will be represented. Suspension of the plan will not greatly benefit Cuba, where prices are above the world market. With exception of Cuba and Java, surplus stocks in the Chadbourne countries are practically nil, owing to curtailed production.

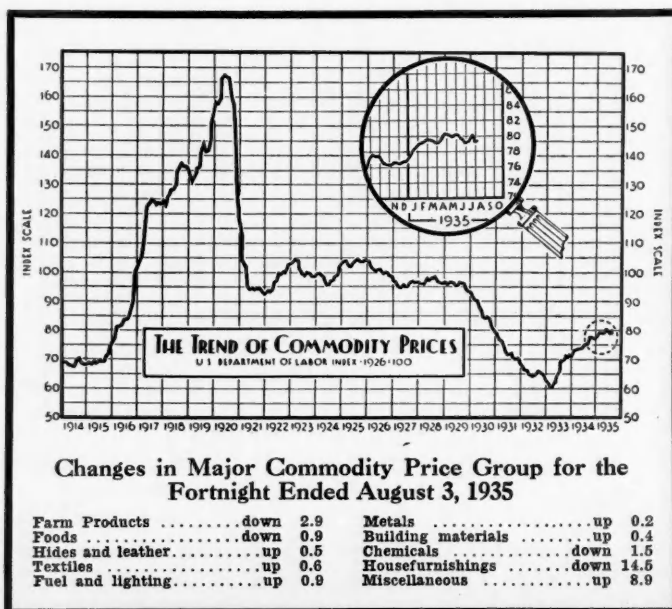
TOBACCO—Agreement of the Senate and House conferees on a 50% reduction in processing taxes, and to permit suits for recovery of processing taxes which have not been passed along to the consumer, should tend to offset the higher cost of leaf inventories; though it is doubtful if the relief will come soon enough to save 1935 earnings from dropping somewhat below last year's profits.

BISCUIT—Recent recrudescence of price cutting by smaller independents, especially in the Middle West, again threatens to eat into profits of the three leading biscuit makers, unless the damaging effects of this aggressive competition should be offset by a marked revival in unit sales.

ALCOHOL—Compared with last year, production of ethyl alcohol in June increased 12%, while stocks in warehouse on July 1, were off 12%. Prices for anti-freeze alcohol for the coming season are expected to be nearly 50% higher than last year.

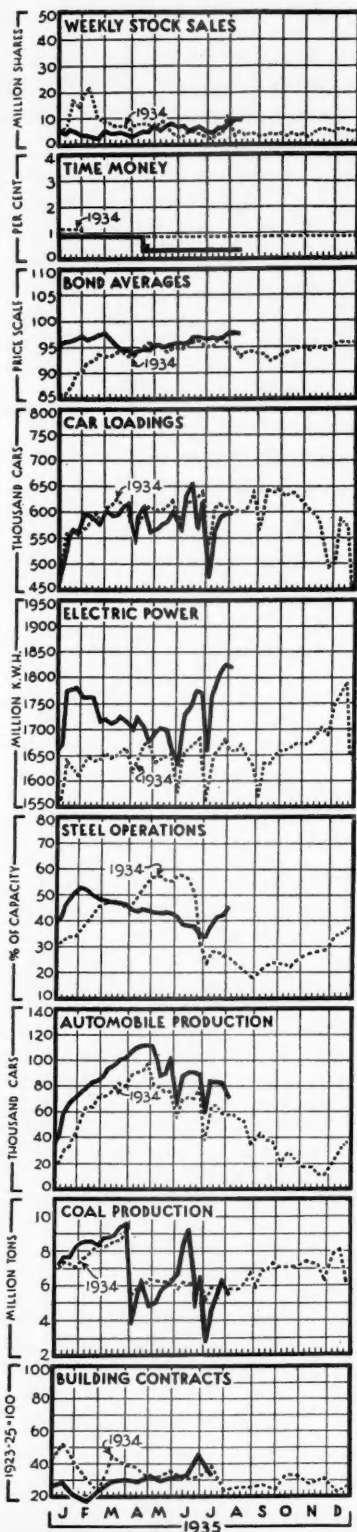
Conclusion

Although business improvement can scarcely be maintained at the recent rapid gait over the next few weeks, which normally witness seasonal slackening in factory operations, prospects remain promising for a strong upturn in our Business Activity index this autumn. Merchandise inventories are low, manufacturing plants are in need of much overhauling, savings are accumulating, public purchasing power is expanding and, most encouraging of all, steel operations are rising swiftly at a season when activity usually declines. Steady wage scales and comparatively stable Raw Material Prices, combined with a low Cost of Business Credit, should ensure rising profits from expanding sales.



The Magazine of Wall Street's Indicators

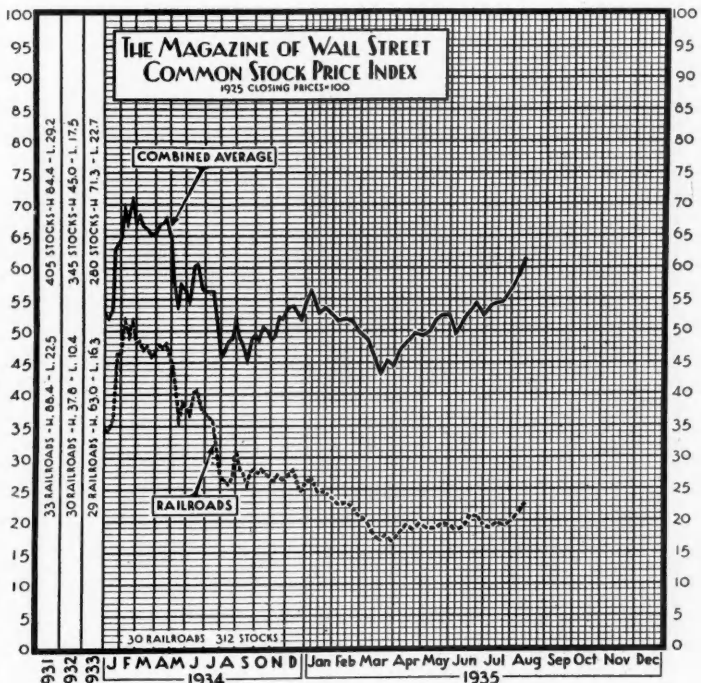
Business Indexes



Common Stock Prices Index

1934 Indexes					1935 Indexes				
High	Low	Close	Number of Issues	(1925 Close=100)	High	Low	July	Aug. 3	Aug. 10
71.2	45.0	54.6	288	COMBINED AVERAGE...	61.4	43.0	56.6	58.8	61.4h
105.7	44.2	87.0	5	Agricultural Implements...	58.1	64.1	86.3	83.6	83.0
42.3	20.2	27.1	6	Amusements...	30.0	17.8	27.4	30.0h	28.1
58.9	35.2	55.5	13	Automobile Accessories...	76.1	44.6	69.7	72.6	76.1h
24.9	11.8	14.2	13	Automobiles...	16.8	8.8	10.7	11.1	12.1
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)...	60.1	41.3	53.9	56.6	60.1
17.4	8.7	9.2	3	Baking (1926 Cl.—100)...	12.2	7.9	10.8	10.9	12.2h
240.9	183.6	191.8	2	Bottles & Cks. (1932—100)...	243.2	184.8	239.3	236.8	239.3
156.0	100.0	131.6	4	Business Machines...	145.8	119.7	139.6	140.9	145.8h
229.5	178.9	227.5	2	Cans...	901.6	226.1	298.2	301.6h	297.5
210.5	134.3	167.2	8	Chemicals...	179.4	144.6	177.3	174.5	177.5
37.2	22.1	28.8	16	Construction...	32.0	22.6	30.7	31.4	32.0h
70.1	40.1	43.8	5	Copper...	58.3	35.7	55.5	54.4	58.3h
37.0	25.7	32.0	2	Dairy Products...	33.4	27.5	33.4	33.0	32.1
26.8	16.4	21.2	8	Department Stores...	22.8	16.0	20.2	20.7	22.8h
84.2	56.0	73.1	7	Drugs & Toilet Articles...	73.1	56.1	59.6	58.7	63.7
91.3	59.1	78.7	3	Electric Apparatus...	124.7	70.1	120.1	118.7	124.7h
211.2	103.8	211.2	2	Finance Companies...	269.1	211.2	246.5	259.4	269.1h
64.0	51.1	58.3	7	Food Brands...	59.4	51.8	57.2	57.4	57.2
71.1	55.1	55.7	4	Food Stores...	56.4	46.5	54.5	53.8	55.7
53.8	36.2	45.4	3	Furniture & Floor Coverings...	60.3	32.1	49.3	50.2	50.3h
1372.0	1106.0	1164.9	3	Gold Mining...	1209.7	1048.4	1078.7	1061.2	1048.4x
35.6	25.1	35.6	5	Household Equipment...	39.7	35.3	39.6	39.7h	39.6
31.8	19.3	20.8	4	Investment Trusts...	29.3	17.0	26.1	27.0	29.3h
295.5	164.0	247.0	3	Liquor (1932 Cl.—100)...	282.8	223.6	219.6	230.2	282.8h
53.4	34.2	44.2	2	Mail Order...	59.7	36.0	53.1	54.3	59.7h
88.6	51.9	62.0	3	Meat Packing...	62.2	34.5	40.0	41.1	41.5
160.1	117.4	127.8	11	Metal Mining & Smelting...	147.4	109.4	142.6	138.6	143.3
86.8	52.0	58.2	23	Petroleum...	70.3	51.3	63.0	65.7	67.5
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)...	31.0	15.9	19.0	19.7	20.1
72.8	32.1	34.8	18	Public Utilities...	60.9	23.0	44.5	54.5	60.9h
66.2	34.9	43.9	8	Railroad Equipment...	43.9	29.3	43.0	43.9	43.8
52.0	24.5	25.8	25	Railroads...	26.7	17.5	19.9	21.0	22.6
15.9	6.0	8.8	3	Realty...	8.9	5.2	7.3	7.6	8.4
50.2	28.9	41.6	3	Shipbuilding...	49.9	28.5	43.2	49.9h	49.8
77.0	42.0	54.4	10	Steel & Iron...	67.5	37.6	64.1	65.8	67.5h
31.3	20.4	22.2	5	Sugar...	30.4	21.1	26.5	25.9	26.9
214.0	131.5	143.2	2	Sulphur...	180.3	122.5	144.1	142.0	145.3
70.3	40.2	45.2	3	Telephone & Telegraph...	61.8	34.2	53.2	57.2	61.8h
65.8	37.5	47.8	8	Textiles...	51.9	34.7	48.6	49.4	51.9h
14.6	7.6	9.0	5	Tires & Rubber...	9.3	6.0	7.4	7.4	7.9
88.6	66.5	84.7	4	Tobacco...	98.3	77.2	97.0	97.4	98.3h
73.5	43.5	65.0	3	Traction...	79.3	51.0	61.4	70.7	79.3h
275.5	43.6	258.2	3	Variety Stores...	281.8	219.7	271.7	276.9	281.8h

H—New HIGH record since 1931. h—New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splits, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities*.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

GENERAL AMERICAN TRANSPORTATION CORP.

In your opinion, should General American Transportation continue the improvement it has shown this year? Do you consider it speculative at current levels? Also, do you see the possibility of any dividend change in line with its improved debt position? Is continued investment warranted?—D. P. W., Chicago, Ill.

In our opinion, General American Transportation Corp. might well continue the improvement shown so far this year. While we do consider the issue somewhat speculative, nevertheless, profits of the company are on the uptrend and the financial position of the company is sound. In line with its improved debt position which you mention, it is quite possible a change in the dividend might be made as earnings warrant, and we see no reason at the present time for disturbing long pull holdings. In addition to this company's fleet of cars and car manufacturing facilities, General American Transportation is heavily interested in both the transportation and equipment manufacturing fields. In 1930 and 1931, an expansion program was undertaken, the funded debt has been reduced considerably and this combination of reduced debt and expanded facilities is expected over the long pull to influence materially the net per share. The car leasing division, it is reported, did not do quite as well during the first part of this year as it did in the first half of 1934, although the

latest available earnings report shows net income for the first six months of 1935 of \$945,265, equal to \$1.15 a share, or only slightly below the \$1,019,521, or \$1.24 a share in the first half of 1934. In addition to materially cutting its funded debt already mentioned, in 1931 bank loans amounted to over \$4,500,000 and since that time they have been all cleaned up. Early in July, a news item released by the company stated that business now on the books included a recently received sizable railway order which will insure General American's manufacturing facilities being comfortably taken care of for the balance of the year, and the profits from this new business will not show up until the fourth quarter. On the whole, the company seems to measure up very well with other industrials selling in its comparative price range and continued representation in its shares is advocated.

BEST & CO.

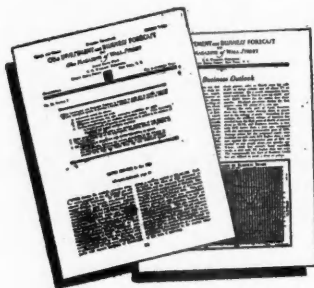
As an investor who is more interested in appreciation than in income, would you advise me to continue holding Best & Co. common stock bought at 31½? Do you believe it can continue the progress it has shown these past two years?—S. M., Dallas, Texas.

In addition to its strategically situated store on Fifth Avenue, New York, Best & Co. operates branches in such representative suburban communities

as Mamaroneck, Garden City, East Orange, Brookline, and Ardmore. The company specializes in women's and children's apparel, and its merchandise is of the quality type which appeals to the medium and higher income classes. The location of the company's stores quite obviously caters to that type of buyer. While the company cannot be said not to have been affected by restricted public purchasing power during the depression years, its record has been consistently better than that of most merchandisers. Even in its worst fiscal year, that ended January 31, 1933, a profit of \$328,965 was shown, equivalent, after dividend requirements on the small issue of preferred, to \$1.05 a share on the 300,000 shares of common. Earnings for the following year recovered sharply to \$2.33 a common share, while last year the company enjoyed further recovery and the equivalent of \$3.14 a common share was shown. In reflection of this earnings recovery, dividends on the common stock have been successively increased to the current rate of 50 cents quarterly. Assuming no change in the present dividend policy, the yield afforded on the common stock at its recent price of 47 is better than 4%. No definite information is available as yet as to earnings for the first half of the current fiscal year, but indications are that these were somewhat better than the \$1.15 a share reported for the like interval of last year. The second half of the year
(Please turn to page 463)

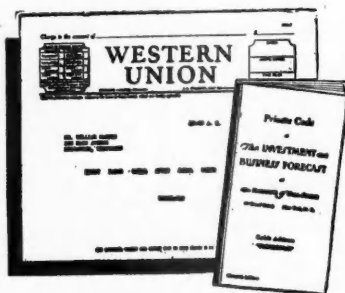
When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

8 POINTS PROFIT ON DISTILLERS SEAGRAMS



THE WEEKLY BULLETIN

Our weekly bulletin of eight pages is mailed every Tuesday. It contains continuing tables as to the proper action to take on the issues selected by our market technicians; also, concise and up-to-the-minute reviews of the Technical Position of the Stock Market, the Business Outlook and many informative charts and tables. Special editions with definite recommendations are frequently mailed during the week.



TELEGRAPHIC SERVICE

Telegraphic Service is available on our three active market programs—Trading Advices, Bargain Indicator and Unusual Opportunities. Clients throughout the country can act on our recommendations within a few minutes after they are selected and take advantage of important intermediate swings. No extra charge except the actual cost of wires. Messages are worded in our Private Code and confirmed by mail the same day.

CONSULTATION PRIVILEGES

Our Personal Service Department will make a thorough analysis of your holdings upon your enrollment and will advise you definitely what you would profit most by continuing to retain and what to close out or switch. During the entire term of your subscription we shall be glad to have you consult us on any issues in which you are interested.

159¼ Points Profit to Date This Year!

Distillers Seagrams was definitely recommended as an Unusual Opportunity around 165½. It is now selling at 24½—8 points higher—and our subscribers have the assurance of knowing that we shall advise when to accept this profit and divert the funds released to another undervalued issue.

Additional recent profits made available include 13¾ points on Columbia Pictures, 7⅞ on Puget Sound \$5 pf., 3¾ on General Railway Signal, 2⅝ on International Cement, 3¼ on Armstrong Cork, 5 on Mesta Machine, etc.

Our record to date this year—our closed and open position—now shows 159¼ points profit, a total that is consistently growing. Over 40% of our open commitments show profits of more than five points, over 20% show profits of more than ten points.

Participate in the Present Market Advance—And in the Major Recovery of the Coming Months

You can now take an advantageous long position in the stocks being recommended to Forecast subscribers. Absence of days with large volume—three and four million shares—and continued low ratio of brokerage loans indicate that the "cream" of the advance is still ahead. That you should act immediately, however, is emphasized by the turnover of August 10—the largest Saturday volume in approximately eighteen months.

THE INVESTMENT AND BUSINESS FORECAST of The Magazine of Wall Street

90 BROAD STREET Cable Address: Tickerpub NEW YORK, N. Y.

I enclose \$75 to cover my six months' test subscription to The Investment and Business Forecast. I understand that regardless of the telegrams I select I will receive the complete service outlined by mail. (\$125 will cover an entire year's subscription.)

Send me collect telegrams on all recommendations checked below. (Wires will be sent you in our Private Code after our Code Book has had time to reach you.)

☐

TRADING ADVICES

Short-term recommendations following important intermediate movements. Three to four wires a month. Three to five stocks carried at a time. \$1,000 capital sufficient to act in 10 shares of all recommendations on over 50% margin.

☐

UNUSUAL OPPORTUNITIES

Speculative investments in low-priced issues that offer outstanding possibilities for market profit. Two to three wires a month. Three to five stocks carried at a time. \$500 capital sufficient to purchase 10 shares of all recommendations on over 50% margin.

☐

BARGAIN INDICATOR

Dividend-paying common stocks entitled to investment rating, with good profit possibilities. One to two wires a month. Three to five stocks carried at a time. \$1,000 capital sufficient to purchase 10 shares of all recommendations on over 50% margin.

Name Capital or Equity

Address

City State

Aug. 17

Dividends and Interest

MOTOR WHEEL CORPORATION

Dividend Notice

Lansing, Michigan
July 29th, 1935

The Board of Directors today declared a quarterly dividend of fifteen cents (15c) per share on the common stock payable September 10, 1935 to stockholders of record August 20, 1935.

C. C. Carlton,
Secretary.

Chrysler Corporation

DIVIDEND ON COMMON STOCK

A regular quarterly dividend, for the third quarter of 1935, of twenty-five cents (\$.25) per share, and an extra dividend of twenty-five cents (\$.25) per share, on the Common Stock, have been declared, payable September 30, 1935, to stockholders of record at the close of business September 3, 1935.

B. E. Hutchinson, Chairman, Finance Committee

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of \$1.75 a share on the Preferred stock and a dividend of 50c a share on the Common stock of Underwood Elliott Fisher Company will be payable September 30, 1935, to stockholders of record at the close of business September 12, 1935.

Transfer books will not be closed.

C. S. DUNCAN, Treasurer

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"

This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

WHEN TO BUY AND WHEN TO SELL

The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street for over 16 years, definitely advises subscribers what securities to buy and when to sell. Write for current weekly 8-page bulletin. (783)

MARGIN REQUIREMENTS, COMMISSION CHARGES

J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

UNITED BULLETIN

Bulletin giving definite advice on leading stocks is issued by United Business Service. Free copy sent on request. (954)

New York Stock Exchange

Rails

A	1933		1934		1935		Last Sale 8/7/35	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchison	80 1/2	34 3/4	73 1/4	45 1/4	57 1/2	35 3/4	51	12
Atlantic Coast Line	59	16 1/2	54 1/4	24 1/2	37 1/4	19 1/2	22 1/2	..
B								
Baltimore & Ohio	37 3/4	8 1/4	34 1/4	12 3/4	15	7 1/4	13 3/4	..
Bangor & Aroostook	41 1/4	20	46 1/2	35 1/2	47 1/2	36 1/2	47 1/2	2.80
Brooklyn-Manhattan Transit	41 1/4	21 1/4	44 3/4	28 1/4	44 3/4	36 1/2	44	3
C								
Canadian Pacific	20 3/4	7 1/4	18 1/4	10 7/8	13 3/4	9 3/4	9 3/4	..
Chesapeake & Ohio	49 1/4	24 3/4	48 3/4	39 1/2	46 1/2	37 1/2	46	2.80
C. M. & St. Paul & Pacific	11 1/4	1	8 1/2	2	3	1 1/4	1	..
Chicago & Northwestern	16	1 1/4	15	3 1/4	8 5/8	1 3/4	2 3/4	..
Chicago, Rock Island & Pacific	10 1/2	2	6 1/4	1 1/8	2 3/4	3/4	1 1/4	..
D								
Delaware & Hudson	93 3/4	37 3/4	73 1/4	35	43 1/2	23 1/2	33 1/2	..
Delaware, Lack. & Western	46	17 1/4	33 3/4	14	19 1/2	11	15 3/4	..
E								
Erie R. R.	25 3/4	3 3/4	24 3/4	9 3/4	14	7 1/4	9 3/4	..
G								
Great Northern Pfd.	33 3/4	4 3/4	32 1/2	12 1/4	22 3/4	9 3/4	19 3/4	..
I								
Illinois Central	50 3/4	8 1/4	38 3/4	13 3/4	17 1/4	9 1/4	14	..
Interborough Rapid Transit	13 3/4	4 3/4	17 1/2	5 1/4	17 3/4	8 3/4	17	..
L								
Lehigh Valley	27 3/4	8 3/4	21 1/4	9 1/4	11 1/2	5	8 1/2	..
Louisville & Nashville	67 1/2	21 1/4	62 1/2	37 3/4	47 3/4	34	41	12 1/2
M								
Mo., Kansas & Texas	17 1/4	5 1/4	14 3/4	4 3/4	6 1/4	2 1/2	3 3/4	..
Missouri Pacific	10 1/4	1 1/4	6	1 1/2	3	1	1 1/2	..
N								
New York Central	58 1/4	14	45 1/4	18 3/4	21 1/4	12 1/4	20	..
N. Y., N. H. & Hartford	34 3/4	11 1/4	24 1/4	6	8 1/2	2 1/4	5 1/4	..
N. Y., Ontario & Western	15	7 1/2	11 1/2	4 1/2	6	2 3/4	3 3/4	..
Norfolk & Western	177	111 1/2	187	161	188	158	185	3
Northern Pacific	34 3/4	9 3/4	36 1/4	14 1/4	21 1/4	13 1/4	17 3/4	..
P								
Pennsylvania	42 1/4	13 3/4	39 1/4	20 1/4	27 1/4	17 1/4	26 1/4	1
Pittsburgh & W. Va.	35 3/4	6 3/4	27	10	15	6 3/4	15	..
S								
St. Louis-San Fran	9	3/4	4 3/4	1 1/4	2	3/4	1 1/4	..
Southern Pacific	38 3/4	11 1/4	33 3/4	14 3/4	20 3/4	12 3/4	18 3/4	..
Southern Railway	36	4 1/4	36 1/2	11 1/2	16 1/2	5 1/2	7 1/2	..
U								
Union Pacific	132	61 1/4	133 3/4	90	111 1/2	82 1/2	97 3/4	6
W								
Western Maryland	16	4	17 1/4	7 1/4	9 3/4	5 1/2	7 3/4	..

Industrials and Miscellaneous

A	1933		1934		1935		Last Sale 8/7/35	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Adams-Millis Corp.	21 3/4	8	34 3/4	16	33 1/2	28	30 3/4	2
Air Reduction, Inc.	112	47 1/2	113	91 1/4	149 3/4	104 3/4	144	3
Alaska Juneau	33	11 1/2	23 3/4	16 3/4	20 1/2	15 1/2	15 1/2	1.60
Allied Chemical & Dye	182	70 3/4	160 3/4	118 3/4	162	125	158 3/4	6
Allis Chalmers Mfg.	26 3/4	6	23 3/4	10 3/4	27 1/4	12	26 3/4	1
Alpha Portland Cement	24	5 3/4	20	11 1/2	20	14	17 1/2	..
Amerada Corp.	47 3/4	18 1/2	55 3/4	39	70 3/4	48 1/2	66	2
Amer. Agric. Chemical (Del.)	35	7 1/4	48	25 1/4	67 3/4	41 1/2	51 3/4	2
American Bank Note	28 1/2	8	25 1/4	11 1/2	30 3/4	13 1/2	30	..
American Can	100 1/2	49 1/2	114 3/4	90 1/4	146 1/4	110	143 3/4	4
Amer. Car & Fdy.	39 3/4	6 1/4	33 3/4	12	28 3/4	10	23 3/4	..
American & Foreign Power	19 3/4	3 3/4	13 3/4	3 3/4	6 3/4	2	6 3/4	..
Amer. International Corp.	15 3/4	4 1/4	11	4 3/4	9 1/4	4 1/2	8 3/4	..
Amer. Power & Light	19 3/4	4	12 1/4	3	8 1/4	1	7 1/4	..
Amer. Radiator & S. S.	19	4 3/4	17 1/2	10	17 1/2	10 1/2	17 1/2	..
Amer. Rolling Mill	31 3/4	5 3/4	28 1/2	13 1/2	25	15 3/4	24	..
Amer. Smelting & Refining	53 1/2	10 3/4	51 1/4	30 1/2	47 1/4	31 1/2	42 1/4	..
Amer. Steel Foundries	27	4 3/4	26 1/2	10 3/4	19 1/2	12	19	..
Amer. Sugar Refining	74	21 1/2	72	46	70 1/2	54 1/4	56 1/4	2
Amer. Tel. & Tel.	134 3/4	86 1/2	125 3/4	100 3/4	133 3/4	98 3/4	132 1/4	9
Amer. Tob. B.	94 3/4	50 3/4	89	67	100 3/4	74 3/4	100	5
Amer. Water Works & Elec.	42 1/4	10 3/4	27 3/4	14 3/4	49	34 1/2	46 1/2	..
Amer. Woolen Pfd.	67 1/2	22 3/4	83 3/4	36	51 3/4	35 1/2	46	..
Anaconda Copper Mining	22 3/4	5	17 1/2	10	18 3/4	8	17 1/2	..
Amour Co. of Ill. ....	..	..	6 1/4	3 1/4	6 3/4	3 1/4	4	..
Atlantic Refining	32 1/2	12 3/4	35 1/4	21 1/2	28	21 3/4	23 1/4	1
Auburn Auto.	84 1/4	31	57 3/4	16 1/2	29 3/4	15	25 1/4	..
Aviation Corp. Del.	16 3/4	5 1/2	10 3/4	3 3/4	4	2 3/4	3 3/4	..
B								
Faldwin Loco. Works	17 3/4	3 1/2	16	4 1/2	6 3/4	1 1/2	2 3/4	..
Bayuk Cigar	52 1/2	3 1/4	45 3/4	23	50 3/4	37 1/4	45 3/4	1.50
Beatrice Creamery	27	7	19 3/4	10 1/4	19	14 1/2	15 1/2	..
Beech-Nut Packing	70 1/2	45	76 3/4	58	92	72	91	3
Bendix Aviation	21 1/4	6 3/4	23 3/4	9 3/4	18	11 1/2	17 3/4	..
Best & Co.	33 1/4	9	40	25 3/4	49	34 1/2	46 3/4	2
Bethlehem Steel Corp.	49 1/4	10 1/4	49 1/4	24 1/2	47 3/4	21 3/4	46 3/4	..
Bohn Aluminum	58 1/2	9 3/4	68 3/4	44 1/2	59 3/4	39 3/4	45 3/4	3
Borden Company	37 3/4	18 1/2	28 1/4	19 3/4	26 3/4	21	25 1/4	1.60

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

Div'd \$ Per Share	B	1933		1934		1935		Last Sale 8/7/35	Div'd \$ Per Share
		High	Low	High	Low	High	Low		
2.80	Borg Warner.....	22 1/4	5 1/2	31 3/8	16 1/2	49 3/8	28 1/4	47 1/4	1.50
2.80	Briggs Mfg.....	14 3/8	2 3/8	28 3/8	12	40 3/4	24 1/2	40 3/4	.75
2.80	Bristol-Myers.....	40 3/8	25	37 1/2	26	36 1/2	30 1/2	35 1/2	.60
2.80	Barroughs Adding Machine.....	20 3/4	6 1/2	19 3/4	10 1/2	17 1/2	13 1/2	17 1/2	..
2.80	Byers & Co. (A. M.).....	43 1/4	8 1/2	33 3/4	13 3/4	20 3/8	11 3/8	18 3/8	..
2.80	C								
2.80	California Packing.....	34 3/4	7 3/4	44 3/4	18 3/4	42 1/2	30 1/2	33 1/2	1.50
2.80	Canada Dry Ginger Ale.....	41 1/4	7 1/2	29 1/2	12 1/2	16 5/8	8 1/4	9	.40
2.80	Case, J. L.....	103 3/4	30 1/2	86 3/4	35	69 3/8	45 3/8	65 3/8	.1
2.80	Caterpillar Tractor.....	29 3/4	4 1/2	38 3/4	23	55 1/2	36 1/2	52 1/2	.4
2.80	Celanese Corp.....	58 3/4	4 1/2	44 3/4	17 1/2	38 3/4	19 1/2	26 1/2	.4
2.80	Cerro de Pasco Copper.....	44 3/4	5 1/2	44 3/4	30 1/4	63 3/8	38 3/8	57 1/2	.3
2.80	Chesapeake Corp.....	52 1/2	14 3/4	48 3/4	34	45 3/8	36	45 3/8	.1
2.80	Chrysler Corp.....	57 3/4	7 3/4	60 3/4	29 1/4	60 3/4	31	58 3/4	.8
2.80	Coca-Cola Co.....	105	73 1/2	161 1/2	95 1/2	230 1/2	161 1/2	228 3/8	.4
2.80	Colgate-Palmolive-Peet.....	22 3/4	7	18 1/4	9 3/8	18 1/4	17	17	.50
2.80	Columbian Carbon.....	71 1/4	23 1/2	77 1/4	58	94	67	89 1/2	.4
2.80	Colum. Gas & Elec.....	28 3/4	9	19 3/4	6 5/8	10	3 3/8	9 3/8	.2
2.80	Commercial Credit.....	19 3/4	4	40 3/4	18 3/8	51 3/4	39 3/8	41	.2
2.80	Comm. Inv. Trust.....	43 3/4	18	61	35 3/8	68 3/8	56 3/8	67 1/2	.2
2.80	Commercial Solvents.....	57 1/2	9	36 3/4	18 3/4	23 3/8	17 3/8	18 3/8	.60
2.80	Concogluco-Nairn.....	27 3/4	7 3/8	35 3/4	22	37 3/8	27	36 3/4	.1
2.80	Consolidated Gas of N. Y.....	64 3/4	34	47 3/4	18 1/2	32 3/8	15 3/8	30 3/8	.1
2.80	Consol. Oil.....	15 3/4	5	14 3/4	7 1/2	10 1/2	6 1/2	8 3/8	..
2.80	Container Corp. "A".....	10 1/4	1 1/2	13 3/4	6 1/8	13 3/8	8 3/4	10	.2
2.80	Continental Can, Inc.....	78 3/4	35 1/4	64 3/4	56 3/4	91 1/2	62 3/4	88	2.40
2.80	Continental Insurance.....	36 3/4	10 3/4	35 3/4	23 3/4	31 3/4	25 3/4	31 3/4	1.80
2.80	Continental Oil.....	19 3/4	4 1/2	28 3/4	15 3/4	23	15 3/4	21	.3
2.80	Corn Products Refining.....	90 3/4	45 3/4	84 3/4	58 3/4	78 3/4	62	71 1/2	.1
2.80	Crown Cork & Seal.....	65	14 3/4	38 3/4	18 3/4	36	23 1/2	35	.1
2.80	Cudahy Packing.....	59 1/2	20 3/4	52 3/4	37	47 1/2	40	40 1/2	2.50
2.80	Cutler-Hammer, Inc.....	21	4 1/4	21 1/2	11	26 3/4	16	24 3/4	..
2.80	D								
2.80	Deere & Co.....	49	5 3/4	28 1/2	10 3/8	95 1/4	22 3/4	35 1/8	1.80
2.80	Diamond Match.....	29 1/2	17 1/2	34 1/2	21	36 1/2	36 1/2	36 1/2	.2
2.80	Dome Mines.....	39 1/2	12	46 1/2	32	43 1/2	34 1/2	37 1/2	.2
2.80	Douglas Aircraft.....	18 1/4	10 1/4	28 1/4	14 1/4	29 3/8	17 3/8	23 3/8	..
2.80	Du Pont de Nemours.....	96 3/8	32 1/2	103 3/8	80	109	86 3/8	108 3/8	2.60
2.80	E								
2.80	Eastman Kodak Co.....	89 3/4	46	116 1/4	79	152	110 1/2	147 1/2	.5
2.80	Electric Auto Lite.....	27 1/2	10	31 3/4	18	29	19 3/4	24 3/4	..
2.80	Elec. Power & Light.....	15 3/4	3 1/2	9 3/4	2 3/4	8 1/4	4 1/4	4 7/8	2.25
2.80	Electric Storage Battery.....	64	24	62	45	68 1/4	52 3/4	64 1/4	.3
2.80	Endicott Johnson Corp.....	62 3/8	26	63	45	68 1/4	52 3/4	64 1/4	..
2.80	F								
2.80	Fairbanks, Morse & Co.....	11 1/4	2 1/2	18 3/4	7	25 3/8	17	22 1/2	..
2.80	Firestone Tire & Rubber.....	31 1/2	9 3/8	20 1/4	13 1/8	18 1/2	13 1/8	15 1/4	.40
2.80	First National Stores.....	70 3/4	43	69 3/4	53	57 1/4	45 1/4	55 1/4	2.50
2.80	Foster Wheeler Corp.....	23	4 1/2	22	8 1/2	17 3/4	9 3/8	15 3/8	..
2.80	Fox Film, Cl. A.....	19	12	17 1/2	8 1/2	17 3/4	8 1/2	15 3/8	..
2.80	Freeport Texas Co.....	49 3/8	16 1/8	50 3/8	21 1/2	28 1/2	17 1/4	24 3/8	.1
2.80	G								
2.80	General Amer. Transp.....	43 1/4	13 3/4	43 3/8	30	44	32 3/8	38 1/2	1.75
2.80	General Baking.....	20 3/4	10 1/2	14 3/8	6 1/2	11	7 3/8	10 3/8	.60
2.80	General Electric.....	30 1/4	10 1/2	25 1/4	16 3/8	29 3/4	20 1/2	28 3/8	.60
2.80	General Foods.....	39 3/8	21	36 3/8	28	37 3/8	32 3/4	36 3/8	1.80
2.80	General Mills.....	71	35 3/8	64 3/2	51	70 3/2	59 3/8	69	.3
2.80	General Motors Corp.....	49 1/2	10 1/2	42 3/4	24 3/4	42	26 3/4	41 3/4	.2
2.80	General Railway Signal.....	49 1/2	13 3/4	45 3/4	23 1/2	34 1/2	15 3/8	33 3/4	.1
2.80	General Refractories.....	19 3/4	2 3/4	23 3/4	10 1/2	23 3/8	16 3/4	22 3/8	..
2.80	Gillette Safety Razor.....	20 3/4	7 3/8	14 3/8	8 1/2	19 1/2	12	19 1/2	.1
2.80	Glidden Co.....	20	3 3/4	28 3/8	15 3/8	32	23 3/8	30 3/4	.1
2.80	Gold Dust Corp.....	27 3/8	12	23	16	18	14 3/8	16 3/8	1.20
2.80	Goodrich Co. (B. F.).....	21 1/2	3	18	8	11 1/2	7 1/2	8 3/8	..
2.80	Goodyear Tire & Rubber.....	47 1/2	9 3/4	41 3/8	18 1/2	26 3/8	15 3/8	19 3/4	..
2.80	Great Western Sugar.....	41 3/8	7	35 3/4	26	32 3/8	26 3/8	30 3/2	2.40
2.80	H								
2.80	Hercules Powder Co.....	68 3/8	15	81 3/8	59	85 1/4	71	81	.3
2.80	Hudson Motor Car.....	16 3/8	3	24 1/2	6 1/2	12 3/4	6 1/4	9 1/8	..
2.80	Hup Motor Car.....	7 3/4	1 3/8	7 1/4	1 3/8	3 3/8	1 3/8	1 3/8	..
2.80	I								
2.80	Industrial Rayon.....	78	19 3/8	32 3/4	19 3/8	33	23 3/8	27	1.68
2.80	Ingersoll-Rand.....	78	19 3/8	73 3/4	49 3/4	97 1/2	60 1/2	97 1/4	.2
2.80	International Business Machines.....	153 1/4	75 3/4	164	131	184 3/4	149 3/4	179	.6
2.80	Inter. Cement.....	40	6 1/2	37 3/4	18 3/8	33	22 3/8	31	.1
2.80	Inter. Harvester.....	46	13 3/8	46 3/8	23 3/4	53 3/4	34 3/8	51	.60
2.80	Inter. Nickel.....	23 1/4	6 3/4	29 1/4	21	29 1/2	22 1/4	28 1/4	.60
2.80	Inter. Tel. & Tel.....	21 3/4	5 1/2	17 3/4	7 1/2	11 3/8	5 3/8	10 3/4	..
2.80	J								
2.80	Johns-Manville.....	63 1/2	12 3/4	66 3/8	39	65 3/8	38 1/2	61	1.50
2.80	K								
2.80	Kelvinator.....	15 3/8	3 3/8	21 1/4	11 3/8	18 1/4	12	12 3/8	.50
2.80	Kennecott Copper.....	26	7 3/8	23 3/8	16	21 1/4	13 3/8	20 3/8	.60
2.80	Kroger Grocery & Baking.....	35 3/8	14 1/2	33 3/8	23 3/4	31 3/8	22 3/4	30 3/8	1.60
2.80	L								
2.80	Lambert Co.....	41 1/4	19 3/8	31 3/4	22 1/4	28 1/4	22 1/4	22 3/4	.3
2.80	Lehman Corp.....	79 3/8	37 3/8	78	68 1/4	92 3/4	67 1/4	91	2.40
2.80	Libbey-Owens-Ford.....	37 3/8	4 3/8	43 3/8	22 3/8	38 3/4	21 3/8	36	1.20
2.80	Liggett & Myers Tob. B.....	99 3/8	49 3/8	111 1/4	74 1/4	122	93 3/8	121	.4
2.80	Loew's, Inc.....	36 1/2	8 1/2	37	20 3/4	44 1/4	31 3/4	39 3/8	.2
2.80	Loose-Wiles Biscuit.....	44 3/4	19 3/4	44 3/4	33 1/4	41 3/4	33	40 3/4	.2
2.80	Lorillard.....	25 1/4	10 3/8	22 1/2	15 3/4	24 1/2	18 1/2	24 1/2	1.20
2.80	M								
2.80	Mack Truck, Inc.....	46 3/8	13 1/4	41 3/4	22	28 1/4	18 3/8	21 5/8	.1
2.80	Macy (R. H.).....	65 3/8	24 1/4	62 3/4	35 3/4	46 1/4	30 3/4	46 3/8	.2
2.80	Mathieson Alkali.....	46 3/8	14	40 3/4	23 3/4	32	23 3/4	29 3/4	1.50

Are Utility Stocks High Enough?

SINCE March 14 the Dow-Jones Utility Average has advanced from 14.45 to 25.39, or 75%. Many speculative Utility Preferreds have shown even greater gains. Does this improvement discount near term prospects, or is this group still undervalued.

This week's UNITED OPINION Bulletin carries a special review of the Utility situation with definite market advice on the following securities:

Am. Gas & Elec.	North American
Pac. Gas & Elec.	Pacific Ltg.
United Gas Imp.	So. Cal. Edison
Col. G&E Pfd.	El. Bond & Sh. Pfd.
United Corp. Pfd.	Commwth & So. Pfd.
Natl. Pr. & Lt. Pfd.	Am. Water Wks. Pfd.

A copy of this bulletin will be sent to you without obligation, as an example of the UNITED OPINION method of business and Stock Market forecasting.

Send for Bulletin W. S. 20 FREE!

(Please print name and address)

UNITED BUSINESS SERVICE

210 Newbury St. Boston, Mass.

STOCKS — BONDS COMMODITIES

Folder explaining margin requirements, commission charges and trading units furnished on request

Cash or Margin Accounts

Inquiries Invited

J. A. Acosta & Co.

Members
New York Stock Exchange
New York Cotton Exchange
Chicago Board of Trade
Commodity Exchange, Inc.
and other leading exchanges
60 Beaver St. New York

POINTS ON TRADING

and other valuable information for investors and traders, in our helpful booklet. Copy free on request. Ask for booklet MG 6
Accounts carried on conservative margin.

HISHOLM & CHAPMAN

Established 1907
Members New York Stock Exchange
52 Broadway New York

Odd Lots—100 Share Lots

Booklet M.W. 801 upon request

John Muir & Co.

Established 1898
Members New York Stock Exchange
39 Broadway New York

To Presidents:—

Create Investor Confidence

by Advertising

the Fact that

You Pay Dividends Regularly!

POST'S 40% BRAN FLAKES

The delicious cereal that helps keep you fit—providing bran and other parts of wheat in crisp, golden brown, oven-toasted flakes.

One of the products of

GENERAL FOODS

250 Park Avenue
New York City



Atlas Corporation

Dividend on Common Stock

NOTICE IS HEREBY GIVEN that a dividend of 30¢ per share has been declared on the Common Stock of Atlas Corporation payable September 16, 1935 to holders of such stock of record at the close of business August 31, 1935.

Dividend No. 24 on Preference Stock

NOTICE IS HEREBY GIVEN that a dividend of 7½¢ per share for the quarter ending August 31, 1935, has been declared on the \$3 Preference Stock, Series A, of Atlas Corporation, payable September 3, 1935 to holders of such stock of record at the close of business August 20, 1935.

WALTER A. PETERSON, Treasurer
August 9, 1935.

FORK UNION MILITARY ACADEMY

Fully accredited. Prepares for college or business. Able faculty. Small classes. Supervised study. Lower School for small boys in new separate building. Housemother. R. O. T. C. Fireproof buildings. Inside swimming pool. All athletics. Best health record. Students from 27 states and other countries. Catalog 36th year. Dr. J. J. Wicker, Pres., Box A, Fork Union, Virginia.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1933		1934		1935		Last Sale 8/7/35	Div'd \$ Per Share
M	High	Low	High	Low	High	Low		
May Dept. Stores	33	9 3/4	45 3/4	30	49 3/4	35 7/8	48 7/8	1.60
McIntyre, Porcupine	48 3/8	18	50 1/2	30 1/2	45 5/8	36 1/2	38 1/2	2
McKeesport Tin Plate	95 3/4	44 1/8	95 1/2	79	123	90 1/2	120 1/2	4
Mesta Machine Co.	21	7	34 1/2	20 1/2	35 3/4	24 1/2	29	1.50
Monsanto Chemical	83	25	96 1/2	39	77 1/2	55	72 1/2	*1
Montgomery Ward & Co.	28 7/8	8 3/8	35 3/8	20	33 3/8	21 3/4	33	..
N								
Nash Motor Co.	27	11 1/8	32 1/4	12 5/8	19 1/2	11	15 1/8	1
National Biscuit	60 3/8	31 1/2	49 1/2	25 1/2	33 1/2	22 1/4	31 1/2	1.60
National Cash Register	23 1/2	5 1/2	23 1/2	12	18 1/2	13 1/2	17 1/2	.50
National Dairy Products	25 1/2	10 1/8	18 3/4	13	17 1/2	12 1/2	15 1/2	1.20
National Distillers	35 1/4	20 1/2	31 1/2	16	29 1/4	23 1/2	26	2
National Power & Light	20 1/2	6 1/2	15 1/2	6 3/4	11 1/2	4 1/2	10 1/2	.80
N. Y. Air Brake	55 1/2	15	58 1/4	34 1/2	65 1/2	40 3/8	65	*1
Noranda Mines	23 1/2	6 1/2	28 1/4	11 1/2	28 1/2	18 1/2	26 1/4	1
North American Co.	36 1/2	12 1/2	25 1/4	10 1/4	21 3/4	9	20 3/8	2
O								
Otis Elevator	25 1/4	10 1/8	19 3/8	12 1/2	22	11 1/8	20 3/4	.60
Owens Ill. Glass	96 3/4	31 1/2	94	60	104	80	94	4
P								
Pacific Gas & Electric	31 7/8	15	23 1/2	12 3/8	26 3/8	13 1/8	26 1/4	1.50
Pacific Lighting	43	22	37	20 1/2	43	19	41 1/2	2.40
Packard Motor Car	6 7/8	1 3/4	6 3/8	2 3/4	5 7/8	3 1/2	5	..
Paramount Publix	2 1/2	1 1/8	5 1/8	3 1/4	5 1/2	3 1/4	5 1/2	..
Penney (J. C.)	56	19 1/4	74 1/4	51 1/2	80 7/8	57 1/4	77 3/4	2
Penick & Ford	60 3/4	25 1/2	67	44 1/2	81	64 1/2	74 1/2	3
Phelps Dodge Corp.	18 3/4	4 1/2	18 1/2	13 1/2	20 3/4	12 3/4	19	1.25
Phillips Petroleum	18 3/4	4 1/2	20 3/4	13 1/2	23 1/2	13 1/2	23 1/2	1
Pillsbury Flour Mills	22 1/2	9 1/2	34 1/2	18 1/2	35 3/4	31	33 1/2	1.60
Procter & Gamble	47 1/2	19 1/2	44 1/2	33	63 1/2	42 3/4	60 1/2	1.50
Public Service of N. J.	57 1/2	32 1/2	45	25	42	20 3/4	40 3/4	2.40
Pullman, Inc.	58 1/2	18	59 3/8	35 1/4	52 7/8	34	41 7/8	3
R								
Radio Corp. of America	12 1/4	3	9 1/2	4 1/2	6 3/4	4	6 3/8	..
Radio-Keith-Orpheum	5 1/4	1	4 1/4	1 1/2	2 1/2	1 1/4	2 1/2	..
Raybestos-Manhattan	20 3/8	5	23	14 1/2	21 1/2	16 1/2	19 1/4	1
Remington Rand	11 1/4	2 1/2	13 3/8	6	11 1/4	7	10 3/4	..
Republic Steel	23	4	25 1/4	10 1/2	18 1/2	9	17	..
Reynolds (R. J.) Tob. Cl. B.	54 1/4	26 1/2	53 3/4	39 3/4	55	43 1/2	54 3/8	3
S								
Safeway Stores	62 3/8	28	57	38 1/4	46	36 3/4	38 1/2	3
Schenley Distillers	47	22	35 7/8	17 3/8	33	22	30 1/4	..
Sears, Roebuck & Co.	47	12 1/2	51 1/4	31	55	31	54 1/2	1.75
Servel, Inc.	7 1/2	1 1/2	9	4 3/8	11	7 3/8	10 1/4	..
Shattuck (F. G.)	13 1/2	5 1/2	13 3/8	6 3/4	9 1/4	7 1/2	9 1/2	.25
Shell Union Oil	11 5/8	4	11 1/2	6	11 1/2	5 1/2	11	..
Socony-Vacuum Corp.	17	6	19 7/8	12 1/2	15 1/2	11	12	.30
So. Cal. Edison	28	14 1/2	22 1/2	10 1/2	20 3/4	10 3/8	19 3/4	1.50
Spiegel May Stern Co.	21 1/2	1	7 5/8	64	79 1/2	43 3/8	66 1/2	..
Standard Brands	37 3/8	13 3/4	25 1/4	17 1/4	19 1/2	13 3/4	14 1/2	1
Standard Oil of Calif.	45	19 1/2	42 1/2	26 1/2	38 1/2	27 1/2	35 1/4	1
Standard Oil of Ind.	32 1/2	13 1/2	32 1/2	23 1/2	27 1/2	23 1/2	26 1/2	..
Standard Oil of N. J.	47 1/2	22 1/2	50 1/2	39 1/2	50 1/2	35 3/4	46 1/2	*1
Sterling Products	63	45 3/4	66 1/2	47 1/4	67	58 3/4	65 1/4	3.80
Stewart-Warner	11 1/2	2 1/2	10 3/4	4	13 1/4	6 5/8	12 3/8	..
Stone & Webster	19 1/2	5 1/2	13 1/4	3 1/2	10 3/8	2 1/2	9	..
Sun Oil Co.	59	35	74 1/4	51 1/2	75 1/2	60 1/2	66	*1
T								
Texas Corp.	30 1/2	10 3/4	29 3/4	19 3/8	23 1/4	16 1/4	19 5/8	2
Texas Gulf Sulphur	45 1/4	15 1/4	43 1/2	30	36 3/4	28 3/4	34 1/2	1
Tide Water Assoc. Oil	11 3/4	3 1/4	14 3/8	8	12	7 3/8	10 1/2	..
Timken Roller Bearing	35 1/2	13 3/4	41	24	50 3/8	28 3/4	49 3/4	*1
Tri-Continental Corp.	8 3/4	2 3/4	6 3/4	3	5 1/2	1 1/2	4 3/4	..
U								
Underwood-Elliott-Fisher	39 1/2	9 1/4	58 7/8	36	69 1/2	53 3/4	68	2
Union Carbide & Carbon	51 1/2	19 1/2	50 3/8	35 7/8	65 1/2	44	62 3/8	1.60
Union Oil of Cal.	23 3/8	8 1/2	20 1/2	11 1/2	20 1/2	14 3/4	17 3/8	1
United Aircraft	13 1/2	5 1/2	15 1/2	8 1/2	17 1/2	9 7/8	17 3/8	..
United Carbon	38	10 1/2	50 3/8	35	61 1/2	46	57 3/8	2.40
United Corp.	14 1/2	4	8 3/8	2 1/2	5	1 1/2	4 3/8	..
United Corp. Pfd.	40 7/8	22 1/2	37 7/8	21 1/4	40 1/4	20 3/4	39	3
United Fruit	65	23 1/4	77	59	92 3/4	71 3/8	73	3
United Gas Imp.	25	13 1/2	20 1/2	11 1/2	16 3/8	9 1/4	16 1/4	1
U. S. Gypsum Co.	53 1/2	18 1/2	51 1/2	34 3/4	64	40 3/4	62 1/2	1
U. S. Industrial Alcohol	94	13 1/2	64 3/4	35	45 3/4	35 1/2	40 3/4	2
U. S. Pipe & Fdy.	22 1/2	6 1/2	33	15 1/2	22	14 3/4	18 3/4	.50
U. S. Rubber	25	2 3/8	24	11	17 1/4	9 3/4	14 1/4	..
U. S. Smelting, Ref. & Mining	105 5/8	13 1/2	141	96 3/8	124 1/2	95	103 3/4	16
U. S. Steel Corp.	67 1/2	23 3/8	59 3/8	29 3/4	43 3/8	27 1/2	41 1/2	..
U. S. Steel Pfd.	105 1/2	53	99 1/2	67 1/4	100 3/4	73 3/8	98 3/4	2
V								
Vanadium Corp.	36 1/4	7 5/8	31 3/4	14	21 3/4	11 1/4	15	..
W								
Warner Brothers Pictures	9 1/4	1	8 1/4	2 3/4	5 1/4	2 1/4	5	..
Western Union Tel.	77 1/4	17 1/4	66 3/8	29 1/2	48 3/8	20 3/8	46 3/8	..
Westinghouse Air Brake	35 3/8	11 3/4	36	15 3/8	27 3/8	18	27 3/8	.50
Westinghouse Elec. & Mfg.	58 3/4	19 3/8	47 1/4	27 3/8	65 3/4	32 3/4	63	1.50
Woolworth Co. (F. W.)	50 3/8	25 3/8	55 3/4	41 1/4	65 1/4	51	61 1/4	2.40
Worthington Pump & Mach.	39 1/2	8 1/2	31 3/8	13 1/2	21 1/2	11 1/4	17 1/2	..
Wrigley (Wm., Jr.)	57 1/2	34 1/2	76	54 1/2	82 3/4	73 3/4	77 1/2	3

* Annual Rate—plus extra. † Paid this year.

Answers to Inquiries

(Continued from page 458)

to end January 31, next, is normally more profitable than that for the initial half. Considering the organization's excellent financial condition in addition to its prospects for further earnings gains as consumer purchasing power expands, the shares represent an interesting issue for representation in the merchandising group. While their market action may prove less spectacular than that of certain other stocks, we feel that future earnings prospects justify further retention of your holdings.

GRAND UNION CO.

Last year I bought 100 shares of Grand Union on the assumption that while the stock was depressed, the company would do better under more normal conditions. I am beginning to doubt my judgment, and I would be grateful for your views.—G. McP., Boise, Idaho.

Grand Union Co. operates a chain of some 675 stores in the New England and Middle Atlantic States in addition to conducting an extensive wagon route system in rural areas extending from Utah to Maine. In addition to carrying nationally advertised brands, the company packs part of its packaged goods itself, placing emphasis upon its private brands for which considerable consumer demand has been developed. Despite the slump in earnings which has been in evidence since 1930, a sound financial position has been maintained. At the last year-end, total current assets of \$4,636,283, including cash of \$539,822, compared with current indebtedness of \$1,143,247. Last year's earnings amounted to only \$1.97 a share on the \$3 preferred stock against \$2.16 a share on that stock for the previous year, the decline being due primarily to the less favorable showing of the western wagon route business. That division has since been completely reorganized, however, and it is expected to make a better showing henceforth. Price-cutting brought about by extreme competition during the early months of the current year impaired profit margins and earnings, and necessitated a reduction in dividend payments on the \$3 preferred stock. However, the situation is believed to have improved recently and in consideration of the company's strong financial status, no difficulty should be experienced in continuing the present 37½-cent quarterly distribution on the preferred. Arrears on that issue amounted to only 75 cents a share as of

June 1, last, so the position of common stockholders is not seriously impaired thereby in the event of earnings recovery. Since the company is no longer hampered by the N.R.A. code, therefore, higher profit margins and increased volume sales are a logical expectation with a return to more normal economic conditions generally. Thus, we feel that patience on your part with respect to the stock is the best policy now.

LUDLUM STEEL CO.

I had thought Ludlum Steel would make a better showing these past few weeks with the more optimistic outlook. Do you think improvement for the balance of 1935 is anticipated in current prices? Do you foresee further gains? —H. J. L., Louisville, Ky.

While it is true that marketwise Ludlum Steel, comparatively speaking, has not made the showing of many other equities, recently, nevertheless, we do not feel that present prices reflect the improvement which this company might very readily show for the balance of the year. We are inclined to believe that from these levels appreciation is likely. Of course, it is well to bear in mind that in 1933 Ludlum reported a sizable deficit, whereas earnings were equivalent to 76 cents a share on the common stock in 1934, and for the first six months of the current year the net profit of \$345,535, after depreciation, Federal taxes, etc.,

Notice of Redemption

To the Holders of

ARMOUR AND COMPANY OF DELAWARE

First Mortgage Twenty-Year 5½% Guaranteed Gold Bonds, Series A, Dated January 1, 1923 and Due January 1, 1943:

NOTICE IS HEREBY GIVEN, pursuant to the provisions of Article IV of the First Mortgage and Deed of Trust dated January 1, 1923 from Armour and Company of Delaware to Continental and Commercial Trust and Savings Bank, The Chase National Bank of the City of New York and William P. Kopf, Trustees, that Armour and Company of Delaware has elected to redeem and pay, on September 7, 1935 all of the outstanding First Mortgage Twenty-Year 5½% Guaranteed Gold Bonds, Series A, issued under and secured by the said First Mortgage and Deed of Trust. The holders of said Series A bonds of Armour and Company of Delaware so called for redemption are hereby notified that there will become due and payable on September 7, 1935 upon each of the bonds so to be redeemed, at the office of Continental Illinois National Bank and Trust Company of Chicago (successor to Continental and Commercial Trust and Savings Bank), 231 South La Salle Street, Chicago, Illinois, or at the option

of the holder of any such bond, at the principal office of The Chase National Bank of the City of New York, Corporate Trust Department, 11 Broad Street, in the Borough of Manhattan, City and State of New York, the principal amount thereof together with a premium of 5% of such principal amount and the interest accrued on such principal amount to September 7, 1935.

Coupon bonds should be accompanied with coupons maturing after July 1, 1935, and registered bonds should be accompanied by duly executed assignments or transfer powers.

Interest on said Series A bonds will cease to accrue from and after September 7, 1935.

ARMOUR AND COMPANY
OF DELAWARE

By

PHILIP L. REED, Treasurer.

Dated at Chicago, Illinois,
July 9, 1935.

The above mentioned bonds will be accepted and paid upon presentation and surrender thereof at the places of payment specified above at any time prior to September 7, 1935, at 105% of the principal amount thereof, with interest upon such principal amount accrued to the date upon which the bonds are received for such payment.

was equivalent after dividend requirements on the \$6.50 preferred stock to 99 cents a share compared with \$375,642 or \$1.14 a share in the first half of 1934. However, the company has no funded debt ahead of only 44,390 shares of preferred stock on which there are no arrears, and a small issue of 202,155 shares of common stock, so that any pronounced earnings rise might be very readily reflected price-wise as far as your common stock is concerned. Despite the first six months showing, sales of Ludlum for the initial 1935 quarter showed an increase of 23% over the corresponding period of last year. Ordinarily, as you know, about 60% of the products of Ludlum Steel go to the automobile manufacturers in the form of heat-resisting and hardened materials used for high-speed moving parts. Further, a wide variety of products is supplied to many other types of industry including a stainless steel, steel for beer barrels, tool steel and a bright surface rust-resisting steel used in the building industry. Any pronounced building activity therefore would be a favorable factor and as you know, automobile production has held up a great deal better than was anticipated. The company's capable management is reflected in a strong financial position and as of June 30, 1935, current assets including \$599,014 cash and marketabilities securities amounted to \$3,331,334 and current liabilities were only \$272,308. These compare favorably with cash of \$463,367, cur-

rent assets of \$3,171,935 and current liabilities of \$378,478 on December 31, 1934. Under the circumstances, we feel that further retention is warranted.

ENDICOTT JOHNSON CORP.

Do you foresee anything hurtful to the earnings outlook for Endicott Johnson in that its earnings for the first six months of this year were off? I had thought of buying outright a small block of this stock I acquired at 53 and have been holding on margin, and I would like to have your advice.—F. C. B., New York City.

While it is true that the net of Endicott Johnson as reflected by their recent earnings has been off slightly, we do not at the present time foresee anything harmful to the earnings outlook for this company. As a matter of fact, as consumer purchasing power increases through a further extension of industrial recovery, earnings of this company should do better. For the first six months of their fiscal year, earnings as of May 29, 1935, amounted to \$820,049 equivalent to \$1.52 a share on the common stock against \$889,459 or \$1.69 a share on the common stock for the first six months of the previous fiscal year. The company is very strong financially on the other hand; as of May 29, last, current assets of \$27,205,712, including close to \$3,000,000 in cash, compared with total current liabilities of \$5,151,545. Endicott Johnson as you know represents a thoroughly integrated unit in the shoe industry and in addition to tanning its own leather requirements, maintains a chain of retail stores throughout the country. In addition, its distribution problem is further aided by some 50,000 independent retail stores. At the recent price of 65, the common stock of Endicott Johnson yields a return of better than $4\frac{1}{2}\%$ based on the present \$3 per share annual dividend, the continuance of which appears assured. Admittedly, the stock is not of the type likely to attract the speculator seeking overnight riches in the market, but for the average business man desirous of a fair current income return in addition to possibilities of gradual appreciation over a reasonable period, the shares should prove in every way satisfactory.

FOX FILM CORP.

Please give me, a new subscriber, your views on Fox Film "A" stock. Do you advise further holding of 100 shares bought at 11 in the light of conflicting factors now apparent?—T. P. S., Utica, N. Y.

Fox Film Corp. reported for the 26 weeks ended June 29, 1935, net income of \$1,355,781 equivalent to 56 cents a share on the combined class A and B

shares, against 49 cents a share for the like interval of 1934. As you may know, the company proposes to broaden out its production activities through a merger with Twentieth Century Pictures, Inc. This situation is rather confused, however, by the opposition of certain stockholders to the terms of the present merger plan. At this writing, it is impossible to foretell the outcome, but the chances are that the situation will be finally worked out to the satisfaction of all concerned. In any event, Fox Film, as now constituted, represents one of the industry's major producers and may be expected to show further earnings recovery in line with the improvement indicated currently in box office receipts. At the present time, the company's exhibiting interests are confined to its investment in Gaumont-British, the latter owning and operating some 300 theaters in England. The rehabilitation of the domestic properties controlled by National Theatres Corp. (formerly Wesco Corp. a wholly owned subsidiary), gives the company some representation in the domestic theater business. Financially, the organization is in good shape and while pre-depression earnings are unlikely to be realized for some time to come, considerable speculative merit attaches to the class A stock. True, earnings of the proposed new company, Fox-Twentieth Century, cannot be predetermined at this time, but the steady improvement shown by Fox since reorganization in 1933 and the successful productions of Twentieth Century last year augur well for the future. Consequently, we can see no need to disturb your holdings now, despite the conflicting factors currently in evidence.

GLIDDEN CO.

Are you still optimistic on the future for Glidden Co.? Are further earnings gains probable? Would you continue to hold 150 shares averaging 20½?—E. A. U., Albany, N. Y.

Despite your decided profit on your holdings of Glidden Co., we are inclined to believe the stock merits further retention at these levels. While the jump in earnings has been very material, nevertheless, we feel a further increase is very possible indeed. This company ranks among the leading domestic manufacturers of paints, lacquers, varnishes and related lines, and in addition the company during recent years has built up a sizable line of food products and expanded its interests in the pigment and chemical industries. During the depression, the stability of the company's food division enabled the company to make a better showing than would otherwise

have been possible, and for the eight months ended June 30, 1935, a net profit was reported of \$1,720,780 after interest, depreciation, depletion, Federal taxes, equivalent after preferred dividend requirements to \$2.18 a share on 650,000 no par shares of common stock. This compares with \$1,226,157 or \$1.42 a common share in the corresponding period of the previous year. In the month of June, alone, as a matter of fact, the net profit was \$215,234 after charges and taxes, against \$134,226 in June of 1934. The balance sheet of the company dated April 30, 1935, showed current assets as of \$16,175,771, including cash of \$1,023,682, and current liabilities of \$7,285,027. However, notes payable were outstanding in the amount of \$4,750,000. The latter was incurred in part as a result of plant extension and improvement. The company recently announced the issuance of rights to stockholders to subscribe to additional shares of common stock on the basis of 16 shares for each 100 held, at \$22 a share. The proceeds from the sale of this stock are estimated at \$3,172,800, which will allow the partial liquidation of bank loans and the improvement of working capital. Thus, even though you have a good profit on your holdings at the present time, we see no need to disturb your position in the issue now.

F. W. WOOLWORTH CO.

Would you care to comment on the economic future for F. W. Woolworth Co. at this time when domestic sales have fallen off? Do you look for a better outlook ahead? Do you advise holding shares bought at 58?—W. M. J., Montpelier, Vt.

With a phenomenal and yet conservative growth since its formation almost sixty years ago, F. W. Woolworth Co. has become the recognized leader in the low priced variety chain-store field. At the close of last year, the company was operating 1,957 units in the United States, Canada and Cuba, while its German and British subsidiaries had in operation 81 and 529 stores, respectively. Competition during recent years has become increasingly severe with the result that profits have been narrowed. To meet this situation, however, the management in 1932 raised the limit on articles handled to include a 20-cent line from the long established 10-cent maximum. Naturally, this action considerably broadened the variety and quality of products handled, without in any way destroying the low-price appeal of its stores. Although dollar sales were off 2.7% for the first half of the current year from the like interval of 1934, profit-margins should be aided by the greater flexibility permitted by the elimination

of the N R A codes and it is expected that earnings for the full year will compare favorably with those of 1934 when the equivalent of \$3.30 a share was reported. The company's finances remain in excellent shape, cash alone having amounted to \$21,700,963 at last year-end. This strong financial condition, coupled with indicated earnings, justifies the expectation of continued dividends at the present rate and possibly a more liberal policy in the not distant future. We feel, therefore, that you may continue to hold the stock for current income, with the expectation that earnings improvement concurrent with a further expansion of public purchasing power both here and abroad will so increase earnings as to support at least moderately higher share prices.

SCHENLEY DISTILLERS CORP.

Do you think the prospects for Schenley Distillers' shares are such as to warrant further speculative appeal? Would you advise their retention on this basis in view of the intensive competition in the industry, and the improbability of any early dividend action?—O. R. S., San Francisco, Calif.

The recent ultra-conservative appraisal made by the market on the shares of companies engaged in the liquor industry is due, primarily, of course, to the fact that current earnings of most companies in this field are running below those of a year ago. Also, the outlook is beclouded by continued wide-spread bootlegging activities with the result that consumption of the legal product is currently less than 60% of pre-war levels notwithstanding the natural growth in population. With the ready flow of capital into the industry in the months immediately preceding and following repeal, potential capacity was built up to such an extent that competition currently is a constant threat to the price structure. However, with large amounts of working capital necessary to finance aging stocks of whisky, the elimination of much of the uneconomic competition seems assured by the high mortality rate now in evidence among those interests which entered the industry without sufficient experience or working capital. Thus, Schenley Distillers Corp., as the second largest unit in the industry, with strong banking connections, seems well situated to benefit from a further weeding out of its less strongly entrenched competitors, while ultimately steps may be expected to be taken by the Government to decrease consumption of illicit liquor, either through more effective control or through the more certain route of tax reduction. While dividend action on Schenley may be retarded by the employment of earnings to increase

inventories of aging liquor, there has been some talk of a financing program of a permanent type which would permit distributions to holders of the common without impairing working capital. Certainly, the earnings report for the six months ended June 30, last, when the equivalent of \$2.88 a share was shown, although below the \$4.07 a share in the first half of 1934, is a clear indication that some such action is a distinct possibility. All in all, we feel that the shares warrant further retention in your portfolio at this time.

General Motors

(Continued from page 451)

advantage of doing a much bigger volume of business per dollar of plant investment than does G M. Thus G M's sales last year were only 2.9 times the net book value of its plants, while Chrysler's sales were 6.1 times its plant investment. As a result, depreciation charges absorbed a considerably smaller percentage of Chrysler's sales revenues than in the case of G M, though the rates of depreciation in relation to plant investment were about the same.

It is interesting to note that despite the above variations, G M and Chrysler last year were close together in percentage of return on net capital investment, the figure for G M being 12.4% and that of Chrysler 11.1%. As above noted, Chrysler arrived at this result because its sales volume was more than twice as large as G M's in relation to plant investment, this greater productivity of its plant investment substantially offsetting a percentage of profit per dollar of sales considerably less than half that of G M.

To the marked advantage of G M is its great diversification. While it is and long will be primarily an automobile maker, it has various other profitable interests, as well as some potential sources of future profit on lines other than automotive. Chief among these are electric refrigerators, air-conditioning and heating, lighting and household appliances, all of this through Frigidaire or Delco; also Winton engines, both gasoline and Diesel, Diesel-electric power plants and Diesel-electric locomotives, not to mention a host of lesser products. It has a stake in aviation equipment through a substantial investment in Bendix Aviation and in aviation through holdings in North American Aviation, Inc. Recently G M announced letting a contract for construction of a new plant at Indianapolis in which it will manufacture a liquid-cooled aircraft engine which it intends to develop to 1,000 horsepower,

the most powerful such motor in this country.

Indeed, G M's laboratory work and its alertness in new fields will score a couple of points in its favor when and if one considers buying the common stock for the long pull, especially since it has a war chest of working capital—much more than in 1929—with which to finance any development it fancies.

The company recently declared an extra dividend of 25 cents a share and lifted the regular dividend from \$1 to a rate of \$2 a year. At recent quotations around 41 the stock would yield nearly 4.9%. That is not bad for a strong equity in a period of record-low money rates. Since, however, there are the huge number of 43,500,000 shares of common outstanding, one must add that the common is distinctly more interesting for the pull than for short term speculation.

New Trends in Investment Thought

(Continued from page 434)

Chrysler holdings and bought more General Motors. Tri-Continental also slightly reduced its stake in Chrysler and increased that in General Motors.

Considering the popular esteem in which the chemical industry is held, it is interesting to note that available trust reports show relatively light commitments in these shares as of June 30. Lehman Corp., for example, slightly reduced its holdings of Air Reduction, du Pont, Dow Chemical and Union Carbide during the six months and showed no representation in Allied Chemical. Tri-Continental, on the other hand, bought Allied Chemical, Air Reduction and Union Carbide during the second quarter.

Some investment trust managements seemed inclined during the first half of the year to reduce holdings in merchandizing issues and to take some profits in part holdings of such Blue Chips as American Can, Continental Can, Corn Products, Coca-Cola, International Business Machines and United Fruit.

The six months report of the Atlas Corp. reiterates the opinion of the management that it can make larger profits out of "special transactions," including reorganization financing, than in mere dealing in a diversified portfolio of listed securities. Whether this is the explanation or not, its portfolio as of June 30 shows heavy sales of common stocks of all classes and few purchases. With few exceptions, holdings shown at the close of 1934 were liquidated or scaled down during the six months.

New York Curb Exchange

ACTIVE ISSUES Quotations as of Recent Date

Name and Dividend	1935 Price Range		Recent Price	Name and Dividend	1935 Price Range		Recent Price
	High	Low			High	Low	
Alum. Co. of Amer.	64 1/2	32	61 3/4	General Tire	71 1/2	38	43 3/4
Amer. Cyanamid B (40)	22 3/8	15	21	Glen Alden Coal (*1)	24	13 3/8	18
Amer. Gas & Elec. (140)	34 1/4	16 3/8	33 3/8	Great A. & P. Tea N.-V. (*6)	139	121	138
Amer. Lt. & Tr. (120)	14 1/4	7 3/8	13 3/8	Gulf Oil of Pa.	74 1/2	50 1/2	62
Amer. Superpower	2 3/8	1 1/2	2 1/8	Hudson Bay M. & S. (*50)	16 1/4	11 1/2	15 3/8
Assoc. Gas Elec. "A"	13 1/16	7 1/2	11 1/16	Humble Oil (1)	64	44	58 1/2
Atlas Corp.	2 1/2	1 1/2	1 1/2	Imperial Oil (*50)	22 1/2	15 3/8	19 1/2
Cities Service	2 1/2	1 1/2	1 1/2	Lake Shore Mines (*2)	58	48	50
Cities Service Pfd.	24 1/2	6 1/2	18 1/2	National Sugar Ref. (2)	35	25 3/8	30
Cleveland Elec. Illum. (2)	44	23 1/2	43 1/2	Niagara Hudson Power	8 1/2	2 1/2	7 3/4
Colum. G. & E. cv. Pfd. (5)	75	32	70 1/4	Novadel-Agene (2)	25	18 3/8	23 3/8
Commonwealth Edison (4)	84 1/2	47 1/4	81 3/4	Pan-Amer. Airways (1)	44 1/4	36	38 3/8
Consol. Gas Balt. (3.50)	85 3/4	52 3/8	85 1/4	Pepperel Mfg. (3)	89 1/2	52 3/8	61
Cord Corp. (1.25)	4 3/8	2 3/8	3 3/8	Pitts. Pl. Glass (*2)	79 1/2	46 3/8	79 1/2
Crane Co.	17 1/2	7 1/2	16 1/2	Sherwin-Williams (4)	106 3/8	84	101 1/2
Creole Petroleum	18 3/8	10	16 7/8	South Penn Oil (1.30)	28 3/8	21 3/8	23 3/8
Distillers Cp. Seag	23 3/8	13 3/8	23 1/2	Swift Int'l (2)	36 1/4	31	33 1/2
Elec. Bond & Share	14 3/8	3 1/2	14 1/8	United Founders	7 1/2	1 1/2	11 1/16
Elec. Bond & Share Pfd. (6)	74 1/2	37 1/2	73 1/2	United Lt. & Pwr. A	2 3/4	50	2 1/2
Elec. Pr. Assoc. A (32)	51 1/2	2 1/2	4 3/4	United Shoe Mach. (*2 1/2)	85	70	83
Fish Rubber	11 1/4	5 1/2	6	Walker Hiram H. W.	32 3/8	23 1/2	27 7/8
Ford Mot. of Can. "A" (1 1/4)	32 1/2	23 1/2	28				
Ford Motor, Ltd. (10)	9 1/4	7 1/8	8 3/8				

* Includes extras. † Paid this year.

Will Labor Stem the Tide of Recovery?

(Continued from page 431)

to self-organization, collective bargaining . . . the appropriate unit for the purpose of collective bargaining shall be the employer unit, craft unit, plant unit or subdivision thereof."

Many good union men believe that section opens the door wide for the company union which the law was intended to outlaw.

So, taken by and large, it cannot be said that much is to be feared from labor that would not have to be expected in normal times.

Union labor should have no very great difficulty in maintaining existing wage levels, for the country is unquestionably committed to a high wage policy. In some lines wages will go higher. Further, it is clear that if the cost of living continues to rise, thereby reducing real wages, the demand for increases will be general.

It is, in the minds of many, a very large question whether increased wages would mean a very serious increase in costs, in view of the economies and efficiencies worked out during the depression. These refinements and the development of new methods and new processes will continue. Large producers, notably the General Electric Co. in the item of lamps, have seen fit to divide savings thus made with the public and its lamp makers.

There remains, of course, the threat of the Connery 30-hour bill, which

provides, among other things, for the setting of minimum wages by a board, a feature that does not appeal to those veterans of the labor movement, who know from experience that minimum wage rates always tend to, and in fact generally prove to be the maximum so there is general reluctance to permit anybody or any group to fix wages.

Here again the followers of Gompers clash with those of the minority group. They see danger of more than fixing wages in governmental participation in industry. They see danger of the unions being rendered impotent if not destroyed.

If, they argue—and the argument checks with the experience of English trade unions—the government fixes wages and working conditions, what excuse will anyone have for holding membership in or paying dues to a trade union?

When the government takes over trade union functions, trade union membership must and will slump.

It would be dangerous to prophesy that men of the Gompers' school will continue in power forever. It is, however, safe to say that the threat to the power if not to the very life of the Federation in too much governmental aid is recognized by men who look beyond tomorrow or next week.

In the foregoing I've made no reference to what the Communists and other radicals may do. Bent as they are on raising hell rather than raising wages, they will continue to make trouble where and when they can. The legitimate labor movement will, as in the past, continue to fight them even though, as one cynical unionist re-

marks, "after we and the employers clean them up, the joke will be on us if the employers then proceed to clean us up."

Reserve Banks Offer \$280,000,000 to Industry

(Continued from page 438)

tirely dependent upon the mine, was drifting on to the relief rolls. A 13b loan of \$400,000 with a New York bank participating, with the ore as mined becoming security for the advances made, put the mine back in operation, and put prosperity back in this little group of villages on the shores of Lake Champlain.

A middle-aged couple came from Russia fifteen years ago and a little later set up a small delicatessen-grocery with their meager savings. The small profits sufficed to put a son through college and dental school. Then the depression put the business into the red, savings were exhausted, and it was impossible to buy enough new goods to fill the shelves so as to keep the customers. The Federal Reserve Bank lent the woman who runs the store \$300 chiefly because she was a good moral risk.

The Threat of Credit Inflation in Recovery

(Continued from page 437)

about by forced credit. Listen to this astounding statement by Governor Eccles before the House Committee on Banking and Currency:

"The difficulty is that so many people, when you say inflation, think it is something unsound, they think of worthless money. What I mean is that a rise in the general price level, in employment, and improvement in the business situation, from whatever it is would be inflation no matter how small the extent. * * * Inflation can only be brought about by the willingness of the people and corporations to borrow money, and that is one thing we are trying to do. We are trying to induce the borrowing and lending of money upon which recovery is based. We are talking about the fear of inflation or reflation when as a matter of fact that is what we want."

Further, Mr. Eccles takes the position that the more cash money a country has, the greater the national income. So, inflation can make us all rich. For further particulars consult

the French and Germans, particularly the latter, who were starving to death in 1923 in the midst of unparalleled oceans of cash.

Inflation stimuli are not confined to the policies of the Federal Reserve System. Besides its credit giving and bank note issuing sources of inflation there are the operations of the Treasury independent of the Reserve.

1. The Treasury can command the Reserve to buy \$3,000,000,000 of crisp new Government bonds or certificates (with crisp new notes, if it chooses) and up would go the excess reserves of the member banks.

2. The Treasury has about \$3,000,000,000 of gold devaluation profit, of which \$1,800,000,000 in the stabilization fund can be used inflationally in the bond market by merely pushing a button.

The total credit inflation potentiality of the Treasury's gold profit is not far from \$30,000,000,000 on the ratio of \$10 of ultimate credit to every dollar of gold. Then there is the direct inflation of formal money, through silver certificates, as the billion dollar silver buying nonsense progresses.

3. The Treasury could further devalue the dollar and spend the "profit" that would accrue to its present \$9,000,000,000 (+) of gold. That would be inflation backed by gold 100 per cent, but inflation just the same.

4. The Treasury can at any time alter the reserves of member banks by shifting its deposits from or to the Reserve Banks. Without the consent and perhaps even without the knowledge of the Federal Reserve Banks it could manipulate the reserves, by spending the money raised by selling securities to either Reserve or commercial banks, by use of the stabilization fund, by issue of United States notes or by printing silver certificates.

In fact, the open market operation credit powers of the Treasury "are far more than the power that the Reserve Banks themselves possess." "They can just pull the ground out from under us," says Dr. Adolph Miller, veteran member of the Federal Reserve Board.

The potentiality of bank credit inflation and the actual operation of that credit are two different things. At present credit is dormant, although the power to give credit is almost unlimited. To make credit power effective there must be a business demand for credit and a willingness to extend it. The concurrence of the two is mainly a matter of public psychology. Just now there is neither demand for credit nor a willingness to grant it. The psychology of the depression still persists. But it will hardly last forever. A demand for credit and its realization in proportion to business recovery

Your advertisement in

The Magazine of Wall Street
"reaches the actual buyer with the ability to buy rather than the potential buyer with the desire to buy"

*** for advertising rates, circulation breakdown and other information address the Business Manager.**

would not properly be inflation, although prices might be rising. But legitimate recovery and expansion may be the primer that will set off credit inflation. There are many indications that recovery has set in. Once it begins to move rapidly there will be the human tendency to overdo. Banks will begin to loosen up, loans will mount, and business men will begin to venture again. Profits will run high, dividends will swell, prices will advance, fixed incomes will suffer, and wages and salaries will lag behind.

The big powerful, industrial concerns will profit most by business acceleration, judging by the record of 1923-1929, being in a better position to take advantage of price increases; but all well-managed outfits will automatically prosper. The railroad and utility companies and all others whose selling prices are rigidly controlled will suffer in percentage of profit but will share in the beneficial effects of volume and velocity of vitalized business. But if business energy turns into frenzy and expansion into inflation—well, why foretell the tale to an audience that has just been through the wringer?

Expansion may be only moderate—to be followed by a moderate reaction. It may be cyclonic—then devastation. One or the other is certain—betterment or doom.

One of the credit demand factors that may become dynamic is the fact that corporations, having depleted their surplus accounts by \$12,000,000,000 during the depression, will need bank credit on an enormous scale once they become aggressive again. On the other side, loans of Reserve member banks are now about \$5,000,000 less than they were in the 1921 depression, \$25,000,000,000 less than they were in 1929, and about \$10,000,000,000 less than in 1926—that blessed year of the New Deal economists. For five years

the country has been on limited rations. There has been little building and construction, little replacement of durable goods, even consumers' goods have been scantied.

In a preceding article taxation as an instrumentality of preventing or checking credit inflation was discussed. Other means of control are to be found in repressive open market selling operations by the Federal Reserve and high re-discount rates at critical times as well as moral suasion by the Federal Reserve and the Government. But now we have a Government which wants to start credit inflation, a Federal Reserve Board which favors inflation, a President who esteems artificial price expansion, and a Congress that is in favor of any kind of a get-rich-quick national policy.

The match is ready, the gasoline of credit is at hand, the Government is trying to scratch the match with the friction of profligate spending and the pressure of active government credit and a high head of bank credit. What will happen? A blaze or an explosion?

EDITOR'S NOTE—

The stock phrase "open market operations" refers to the buying or selling of securities by the Federal Reserve Banks for the purpose of influencing credit. When securities are bought, cash goes out of the Reserve Banks and into the commercial banks and thence to their reserve accounts unless immediately invested or loaned. When securities are sold by the Reserve Banks, cash comes out of the commercial banks, their deposits decline and their reserves likewise. Buying gold, and other Treasury operations, put out cash and also increase reserve deposits making them excessive. As excess reserves do not arise from deposits resulting from loans, they represent idle money, unused earning power for the banks, a

temptation to lend freely and even recklessly when optimism rules. Excess reserves, partly as a result of an easy money policy that failed to work, i. e., did not expand bank loans, are now so large that the Federal Reserve has lost all power to stimulate credit at the present time by adding to them through open market operations. At present it can only affect such credit on the downside by raising reserve percentages or selling securities, which it is not likely to do so long as the Government is continually issuing its obligations to the banks and is intent upon credit inflation. Required reserves are commonly estimated at 10 per cent of the total deposits of all banks—the percentage required by law varying with classes of banks and time and demand deposits, but for the member banks of the Reserve system, as a whole, it has been as low as 7 per cent. At present actual reserves are about 20 per cent, as against the estimated obligatory 10 per cent—an excess of 100 per cent.

Beneficial Industrial Loan Corp.

(Continued from page 453)

pany's business has steadily expanded, with the exception of 1932 and 1933. Net operating income, however, scaled new heights in 1934, while a still better showing was made for the first six months of the current year. The reason therefore is that improving business in general has made the public more willing to borrow and the company

Earnings Per Share		Dividend	Recent Quotation
1934	1st Half 1935		
\$1.89	\$1.01	\$1.50	\$18

more willing to lend; at the same time extremely low money rates have widened the spread between what the company pays for money and what it charges its customers.

For last year, Beneficial Industrial Loan reported operating income of \$15,567,299 which, after operating expenses, provision for doubtful notes, interest, Federal taxes and other charges, resulted in net income of \$4,710,030. This, after dividends on the \$3.50 "A" preferred stock, was equivalent to \$1.89 a share on each of the 2,092,444 shares of no-par common stock. For 1933, the company reported net income equivalent to \$1.70 a share of common stock.

For the first six months of this year, Beneficial Industrial Loan showed con-

solidated net income of \$2,497,543 after all charges and taxes. This, after preferred dividends, was equal to \$1.01 a share of common stock and compared with 98 cents a share in the corresponding previous period. As of June 30, 1935, installment notes after reserves were being carried on the books at nearly \$49,000,000, not quite a new high record, but approaching that point. The company's capital liabilities consist of \$4,237,000 in 6% debentures, \$10,770,650 in 215,413 shares of \$3.50 preferred stock of no-par value, and \$14,916,080 representing 2,092,444 shares of common stock. In addition to which at the end of last June the company was borrowing from the banks the sum of \$10,350,000.

Although little "romance" attaches to the common stock of the Beneficial Industrial Loan Corp., there seems to be no valid reason why the company should not continue to make money. The yield afforded by the issue at the current price of \$18 a share is more than 8%.

High Grade Bonds Bumping Ceiling

(Continued from page 440)

the corner and promises still further improvement. This quality of an improved outlook for the business is much more important than that the bonds should be backed by a large asset value, especially a large asset value in fixed property. In other words, the purchase of a medium grade bond should be undertaken in much the same manner as one undertakes the purchase of a common stock. Earning power and earning power alone fixes the price of the latter and no one will have any difficulty recalling both the stock that sells at ten times book value and the one that sells for a tenth of book value.

Under today's conditions, the in-

vestor who goes about the purchase of medium grade bonds should do well. He should, however, guard against success leading to over-enthusiasm. Improving business and extremely easy money never last forever and when signs of a fundamental change develop—which happily may not be for a year or two—he will want his capital, not in medium grade bonds, but in the very strongest he can find.

The Stock Market for the Next Fortnight

(Continued from page 428)

would be difficult to quarrel with the majority of price-earnings ratios in this group, for it remains well under that of the Blue Chip industrials, even conceding the less speculative character of the latter.

Equipments—machinery, farm, electric and office—also remain in favor and are supported by cumulative gains in sales and earnings. Oil stocks show a mixed trend, despite strong improvement in gasoline sales, and most are under recent best quotations. Metals, rails and sugars are prominent laggards.

The chemicals and can makers hold persistently around the year's best prices, even though giving no indications of dynamic advance. Building shares continue to command a following in reflection of further moderate gains in construction. Among the speculative favorites of former years, aviation and motion picture stocks are back in the money.

In such a setting it is foolish to argue that the market has lost its potentialities for further advance, nevertheless caution in new commitments is advisable until more favorable levels are seen or until the market has more convincingly demonstrated its ability to hold those prevailing as this is written.

MARKET STATISTICS

	N. Y. Times			Dow, Jones Aves.		N. Y. Times		Sales
	40 Bonds	30 Indus.	20 Rails	High	Low	50 Stocks	High	
Monday, July 29	82.34	126.56	35.25	102.10	100.73			1,751,170
Tuesday, July 30	82.26	125.67	34.86	101.92	100.79			1,679,500
Wednesday, July 31	82.36	126.23	35.25	102.23	100.66			1,908,090
Thursday, August 1	82.22	125.85	35.04	102.33	100.97			1,888,510
Friday, August 2	82.13	124.93	34.73	101.90	100.30			1,515,910
Saturday, August 3	82.16	125.90	34.89	101.70	100.84			1,000,870
Monday, August 5	82.23	126.07	34.87	102.04	101.03			1,735,410
Tuesday, August 6	82.09	125.64	34.63	102.23	100.55			1,773,090
Wednesday, August 7	82.06	125.61	34.10	101.87	100.58			1,889,330
Thursday, August 8	82.05	125.98	34.31	101.87	100.31			1,433,260
Friday, August 9	82.20	127.27	35.23	102.33	100.89			2,187,740
Saturday, August 10	82.28	127.94	35.40	102.95	102.16			1,210,770

e of
well.
suc-
Im-
easy
when
de-
e for
pital,
n the

he

the
this
that
con-
er of

elec-
avor
gains
how
ove-
are
tals,
lag-

hold
best
lica-
ding
ow-
rate
the
ears,
are

gue
iali-
less
vis-
een
inc-
hold

es

,170
,680
,090
,510
,910
,670
410
020
220
260
740
770

ET